

**TOWN OF NEWPORT,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

TOWN OF NEWPORT, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3 - 11

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements	
A Statement of Net Position	12
B Statement of Activities	13
Fund Financial Statements	
<i>Governmental Funds</i>	
C-1 Balance Sheet	14
C-2 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	15
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	16
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
<i>Budgetary Comparison Information</i>	
D Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	18
<i>Proprietary Fund</i>	
E-1 Statement of Net Position	19
E-2 Statement of Revenues, Expenses, and Change in Net Position.....	20
E-3 Statement of Cash Flows	21
<i>Fiduciary Funds</i>	
F-1 Statement of Net Position	22
F-2 Statement of Changes in Net Position	23
NOTES TO THE BASIC FINANCIAL STATEMENTS	24 - 47

REQUIRED SUPPLEMENTARY INFORMATION

G Schedule of the Town's Proportionate Share of Net Pension Liability	48
H Schedule of Town Contributions	49
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION	50

COMBINING AND INDIVIDUAL FUND SCHEDULES

Governmental Funds	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	51
2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)	52 - 53
3 Schedule of Changes in Unassigned Fund Balance.....	54
<i>Nonmajor Governmental Funds</i>	
4 Combining Balance Sheet	55
5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	56



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen and Town Manager
Town of Newport
Newport, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, major fund, and aggregate remaining fund information of the Town of Newport as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 1-B to the financial statements, management has not recorded the capital assets and related accumulated depreciation in the governmental activities, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets, including infrastructure, be capitalized and depreciated, which would increase the assets, net position and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities is not reasonably determinable.

As discussed in Note 22 to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position and increase the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities is not readily determinable.

***Town of Newport
Independent Auditor's Report***

Adverse Opinion

In our opinion, because of the significant of the matters described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the government-wide financial statements of the Town of Newport, as of June 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, discretely presented component unit, major fund, and aggregate remaining fund information of the Town of Newport, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note-1-S to the financial statements, in 2015 the Town changes its method of accounting for pension reporting with the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Town's Proportionate Share of Net Pension Liability, and the Schedule of the Town Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Newport's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

April 7, 2017

*Blodzik & Sanderson
Professional Association*

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2015

Our discussion and analysis of the Town of Newport's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2015. Please read it in conjunction with the Town's financial statements, which begin on page 12. Please note the Town has made changes in accounting principles, per various GASB Statements (as disclosed in Notes 2-D and 19 in the Notes to the Basic Financial Statements.) The Town has not restated the prior year, but shows the effect of the changes as an adjustment to the prior year's Net Position in this Management Discussion and Analysis.

FINANCIAL HIGHLIGHTS

For the year ended June 30, 2015:

- The Town's total net position was \$5,553,148, an increase from the restated prior year of \$398,921 or 7.7%, which consisted of (\$2,609,101) for Governmental Activities and \$8,162,249 from Business-Type Activities.
- The Town does not record capital assets for the Governmental Activities. Capital assets, net of depreciation of the Business-Type Activities were \$8,765,879, a decrease from the prior year of \$351,030, or 3.9%, which was the depreciation expense for 2015.
- The total long-term obligations for the Town were \$8,777,571, an increase of \$4,710,829 from the prior year, or 115.8%. This increase was due to the recording of \$4,846,743 of Net Pension Liability.
- The unassigned fund balance (deficit) of the General Fund was (\$65,381), a reduction of the prior year's (deficit) of \$303,243, or 82.3%.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of two types of statements:

Government-Wide Financial Statements

The Statement of Net Position, page 12 and the Statement of Activities, page 13, are designed to report the Town's financial activities in a manner similar to private-sector companies. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, thereby reporting all current year revenue and expenses regardless of when cash is paid or received. These two statements report the Town's net position and changes in them. Over time, increases or decreases in net position may serve as one useful indicator of whether the financial health of the Town is improving or deteriorating.

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2015

The Statement of Net Position and the Statement of Activities distinguish the Town's activities as follows:

- **Governmental Activities** - Most of the Town's basic services are reported in this section. These include general government, police, ambulance, fire, public works, sanitation, health and welfare, culture and recreation, airport, and capital outlay. These activities are supported primarily by property taxes, motor vehicle fees, intergovernmental revenues, charges for service, and other miscellaneous revenues.
- **Business-Type Activities** – The Town charges a user fee to customers to cover all, or most, of the cost of certain services provided. The Town's water and sewer operations are reported here.
- **Component Unit** – The Richards Free Library and Library Arts Center are an IRS Section 501(c)3 non-profit corporation reported as a component unit of the Town of Newport. The Statement of Net Assets of this entity is as of December 31, 2014 and the Statement of Activities is for the period January 1, 2014 to December 31, 2014.

Fund Financial Statements

The fund financial statements begin on page 14, and provide information on the Town's most significant funds; not the Town as a whole. A fund is a grouping of accounts, each of which is considered a separate accounting entity. The following fund types are utilized by the Town.

- **Governmental Funds:** This fund type is used to account for the Town's basic services such as general government, police, fire, public works, culture and recreation, health and welfare, aviation, and capital outlay. These activities are supported primarily by property taxes, motor vehicle permits, and intergovernmental revenues. Unlike the government-wide financial statements, these funds are reported using an accounting method called modified accrual accounting. This method of accounting measures cash and all other financial assets that can readily be converted to cash.

The governmental fund financial statements provide a short-term view of the Town's general government operations. It is useful to compare this information to similar information on the government-wide financial statements to gain a better understanding of the long-term impact of the Town's near term financial decisions.

- **Proprietary Funds:** These funds are commonly referred to as Enterprise Funds. Proprietary Funds are presented in the same format as the business-type activities in the government-wide financial statements, only in more detail by breaking out the Water and Sewer Funds separately.

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2015

- Fiduciary Funds: Fiduciary funds account for assets held by the Town as a trustee or agent for individual, groups, private organizations, or other units of government. These funds are not reflected in the government-wide financial statements, because these assets are unavailable to finance the Town's operation.

Notes to the Financial Statements

The notes to the Financial Statements provide additional information that is essential to an overall comprehension of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

The following is a summary of the government-wide financial data for the fiscal year ended June 30, 2015:

Statement of Net Position

The following summarizes the Statement of Net Position, presented on page 12.

	2015			2014 Total
	Governmental Activities	Business-Type Activities	Total	
Current Assets	\$10,455,813	\$ 2,929,859	\$13,385,672	\$ 12,492,947
Noncurrent Assets (net)		8,957,440	8,957,440	9,116,909
Total Assets	10,455,813	11,887,299	22,343,112	21,609,856
Deferred Outflows of Resources	234,610	24,665	259,275	-
Current Liabilities	4,704,612	121,276	4,825,888	4,359,463
Non-current Liabilities	5,242,489	3,535,082	8,777,571	4,066,742
Total Liabilities	9,947,101	3,656,358	13,603,459	8,426,205
Deferred Inflows of Resources	3,352,423	93,357	3,445,780	2,451,549
Investment in capital assets (net of related debt)	(570,708)	5,778,723	5,208,015	5,342,634
Restricted net position	1,169,255	-	1,169,255	1,102,390
Unrestricted net position	(3,207,648)	2,383,526	(824,122)	4,287,078
Total Net Position	\$ (2,609,101)	\$ 8,162,249	\$ 5,553,148	\$ 10,732,102

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2015

- Net Investment in Capital Assets: The Town has not recorded its inventory in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, etc.), or related accumulated depreciation for the Governmental Activities, but has recorded the related debt obligations, resulting in a negative Investment in Capital Assets. The Town has recorded its inventory in capital assets for the Business-Type Activities such as land, buildings, equipment, and system infrastructure (pipes including installation costs, etc.), net of accumulated depreciation, and the related debt obligations.
- Restricted Net Position: Restricted Net Position are the Town's permanent funds which represent resources that are subject to external restrictions on how they may be used.
- Unrestricted Net Position: The Town's unrestricted net position may be used to meet the Town's ongoing obligations.
- Total Net Position: The Town is reporting negative net position in its Governmental Activities and a positive net position in its Business-Type Activities.

Statement of Activities

The following is a summary of the Statement of Activities presented on page 13.

	2015			2014 Total
	Governmental Activities	Business-Type Activities	Total	
Program Revenues				
Charges for service	\$857,949	\$1,956,028	\$2,813,977	\$2,925,996
Operating grants and contributions	290,588	7,051	297,639	296,735
General Revenues				
Taxes	5,017,572		5,017,572	5,003,905
Licenses and permits	1,034,177		1,034,177	977,346
Unrestricted grants and contributions	343,129		343,129	380,185
Miscellaneous	368,796	815	369,611	373,333
Total Revenues	7,912,211	1,963,894	9,876,105	9,957,500
Expenses				
General government	1,528,153		1,528,153	2,644,526
Public safety	3,222,027		3,222,027	2,096,621
Highways and Streets	1,726,781		1,726,781	1,338,647
Airport operations	136,527		136,527	133,515
Sanitation	1,601		1,601	1,487
Health	11,979		11,979	10,930
Welfare	145,240		145,240	153,756
Culture and recreation	833,265		833,265	656,457
Conservation	303		303	
Interest on long-term debt	19,654		19,654	33,237
Water department		795,560	795,560	773,658
Sewer department		1,056,094	1,056,094	921,985
Total Expenses	7,625,530	1,851,654	9,477,184	8,764,819
Change in Net Position	\$286,681	\$112,240	\$398,921	\$1,192,681

TOWN OF NEWPORT, NH

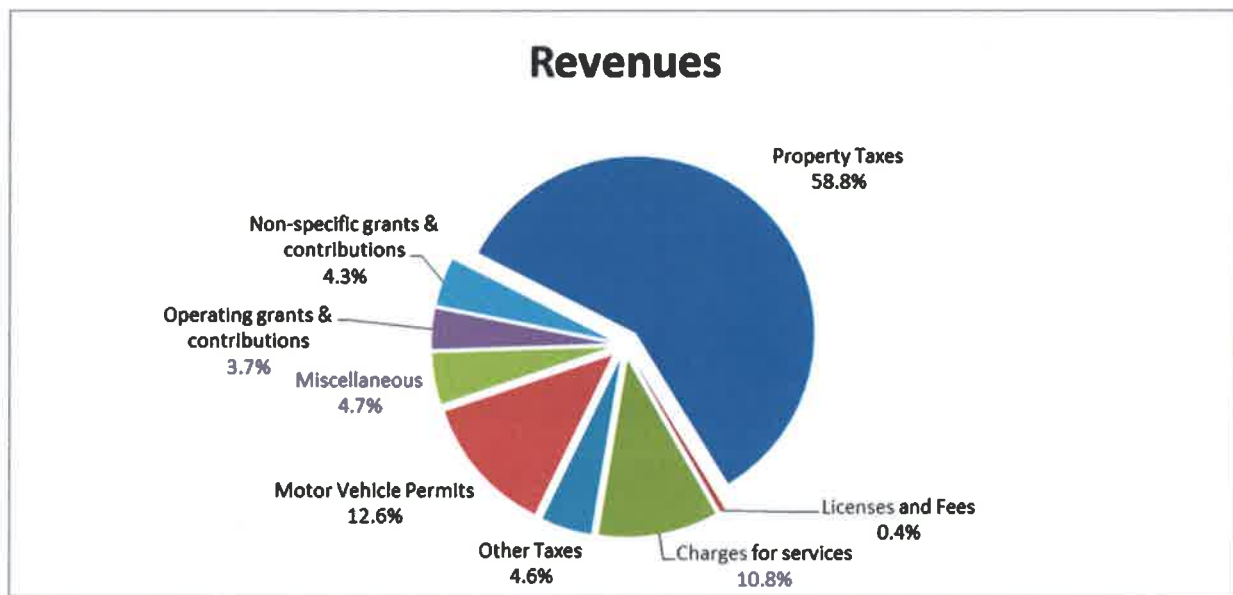
Management's Discussion and Analysis Calendar Year Ended June 30, 2015

Governmental Activities

- Revenues: Revenues are classified as either Program or General.

Program revenues are targeted to directly offset expenses. For 2015, program revenues, Charges for services and Operating grants and contributions account for 14.5% of total revenues. Program revenues for 2014 accounted for 13.2% of total revenues.

Revenues not specifically targeted for an activity are known as general revenues. Property taxes make up 68.7% of the Town's general revenues and 58.8% of total revenues. Licenses and permits, mainly auto registrations, account for 14.7% of general revenues and 12.6% of total revenues. Detail of the total revenues is as follows:

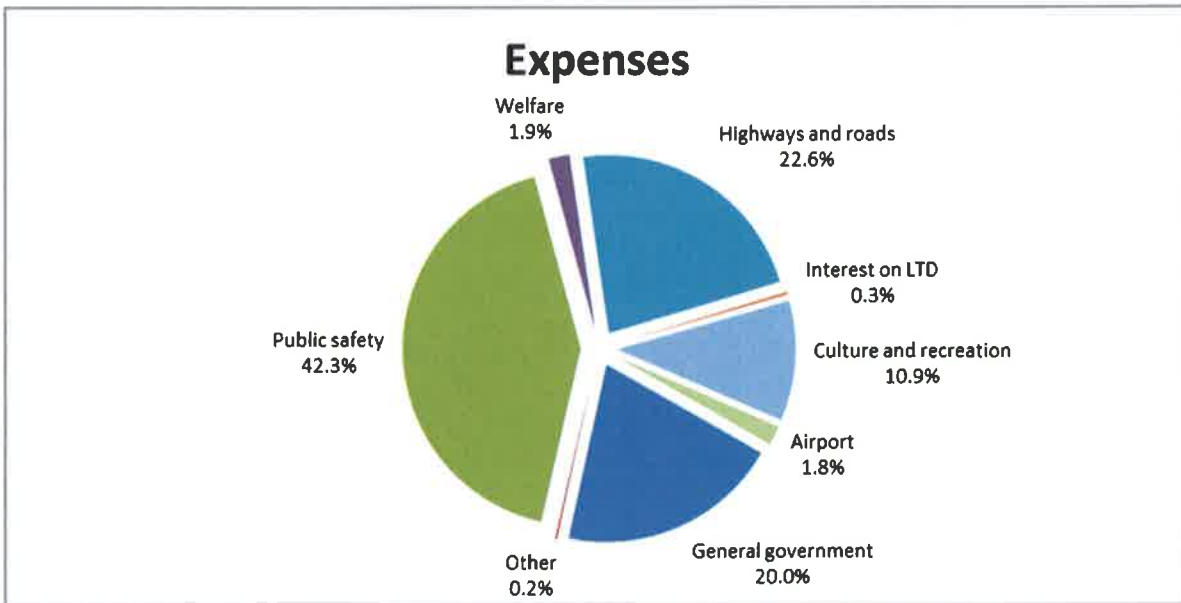


- Expenses: Expenses are classified by major governmental function or program and are offset by related program income. No depreciation has been recorded for 2014 or 2015.

The largest expenses were for General government, which accounts for 20.0% of total expenses; Public safety, 42.3%; and Highways and roads, 22.6%, and Culture and recreation, 10.9%.

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2015



Business-Type Activities

➤ Revenues:

Program revenues for the Business-Type Activities, accounting for 99.6% of Total revenues, are Charges for Service for the Water and Sewer utilities. For 2014, Charges for Service accounted for 93.5% of Total revenues.

➤ Expenses:

Expenses of the Business-Type Activities consist of operating expenses, interest on debt service and depreciation expense for the Water and Sewer utilities. For 2015 and 2014, the breakdown of the expenses is 42.9% and 45.6%, Water department and 57.1% and 54.4%, Sewer department.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

- Governmental Funds: The fund financial statements are provided on pages 14-17. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balance of resources. This information is most useful in assessing financing requirements. For example, unassigned fund balance may serve as a useful measure of a government's net resources available at year end. The Town's General Fund is its largest Governmental Fund.

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2015

During the fiscal year, the Town recognized \$7,436,815 in revenues and other financing sources in the General Fund, which is an increase of 2.1% from the prior year. The Town incurred \$7,355,239 in General Fund expenditures and other financing uses during the year, which represents an increase of 7.1% from the prior year.

The Town finished the fiscal year with General Fund fund balance in the amount of \$1,185,333, an increase from the restated prior year of 7.4%. The current year Net change in fund balance is \$81,576. Of the total fund balance, \$124,155 is Nonspendable, \$98,496 Committed, and \$1,028,063 Assigned, leaving an Unassigned balance (deficit) of (\$65,381).

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

The Proprietary funds reported an overall net change in net position of \$112,240, or 1.4% of the restated prior year balance. Depreciation expense for 2015 was \$351,030.

BUDGETARY HIGHLIGHTS

The Town budget as approved at Town Meeting for the year ending June 30, 2015 was \$9,400,942. Of that total, \$256,506 was special warrant articles for various projects and special items and the balance of \$9,144,436 represented the Town's operating budget. The NH Department of Revenue Administration (DRA) adjusted the budget for tax rate setting purposes by (\$115,000) to account for the netting of lease proceeds for the purchase of a highway truck.

Of the adjusted total budget, the General Fund accounted for \$7,356,690, \$870,010 for the Water Fund, \$913,503 for the Sewer Fund, and \$145,739 for the Airport Fund.

In the General Fund, actual expenditures including encumbered amounts were \$85,346 more than the budgeted amount as of June 30, 2015. This deficit spending resulted from the budgetary change by the NH DRA for the lease purchase of a highway truck.

CAPITAL ASSETS

The Town does not record the investment in capital assets for the Governmental Activities. The investment in capital assets, net of depreciation, for the Business-Type Activities is \$8,765,879. Details of capital assets and the changes in capital assets are found in the Notes to the Financial Statements.

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2015

A summary of the Capital assets and changes thereof follows:

	2015	2014	Change
Land	\$442,421	\$442,421	\$0
Construction in progress	2,689,233	2,700,860	(11,627)
Buildings and improvements	2,286,585	2,445,423	(158,838)
Machinery, vehicles and equipment	234,175	295,916	(61,741)
Infrastructure	<u>3,113,465</u>	<u>3,232,289</u>	<u>(118,824)</u>
Total	<u>\$8,765,879</u>	<u>\$9,116,909</u>	<u>(\$351,030)</u>

NON-CURRENT OBLIGATIONS

The Town's non-current obligations outstanding includes the total (due within one year and beyond) portion of bonds payable, leases and accrued compensated absences. Detail of the Non-current obligations (Long-term Liabilities) is found in the Notes to the Financial Statements. The following is a summary of the non-current obligations:

	2015	2014	Change
Governmental Activities			
Bonds and notes	\$448,216	\$512,954	(\$64,738)
Leases	122,492	121,893	599
Compensated absences	286,112	246,005	40,107
Business-Type Activities			
Bonds and notes	2,987,156	3,139,428	(152,272)
Compensated absences	<u>86,852</u>	<u>46,462</u>	<u>40,390</u>
Total	<u>\$3,930,828</u>	<u>\$4,066,742</u>	<u>(\$135,914)</u>

ECONOMIC FACTORS AND THE 2014 BUDGET

New Hampshire Department of Employment Security and the United States Department of Labor reported the following unemployment rates for June 2013 and June 2014:

	<u>2014</u>	<u>2015</u>
Newport	3.34%	2.7%
Sullivan County	3.6%	2.9%
State of New Hampshire	4.3%	3.3%
United States	6.1%	5.3%

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2015

The Northeast Regional Consumer Price Index (CPI) increased 0.0% from June 2014 to June 2015. The National CPI for the same period increased 0.1%.

At the 2015 Town Meeting, the legislative body approved total appropriations for the 2015-16 fiscal year in the amount of \$9,531,021. The appropriations break down as follows:

	Operating Article	Special Articles	TOTAL
Governmental Type Funds:			
General Fund	\$7,480,028	\$40,800	\$7,520,828
Special Revenue Funds	155,481		155,481
Business-Type Activities:			
Water Fund	766,435		766,435
Sewer Fund	1,088,277		1,088,277
TOTAL	<u>\$9,490,221</u>	<u>\$40,800</u>	<u>\$9,531,021</u>

REQUESTS FOR INFORMATION

This financial report was designed to provide a general overview of the Town of Newport's finances for any party with an interest in the government's finances. Questions related to this financial statement, or request for additional information should be addressed to the following:

Town of Newport
15 Sunapee Street
Newport, NH 03773
(603) 863-1877

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF NEWPORT, NEW HAMPSHIRE
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-type Activities	Total	Component Unit Richards Free Library
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,236,103	\$ 1,968,940	\$ 7,205,043	\$ 101,193
Investments	738,301	118,557	856,858	1,179,700
Taxes receivables (net)	3,427,534	-	3,427,534	-
Account receivables (net)	325,582	843,749	1,169,331	-
Intergovernmental receivable	147,853	2,895	150,748	-
Internal balances	482,951	(482,951)	-	-
Inventory	7,835	-	7,835	-
Prepaid items	40,053	-	40,053	-
Tax deeded property, subject to resale	49,601	-	49,601	-
Restricted assets:				
Cash and cash equivalents	-	478,669	478,669	-
Noncurrent assets:				
Intergovernmental receivable	-	191,561	191,561	-
Capital assets:				
Land and construction in progress	-	3,131,654	3,131,654	1,008,739
Other capital assets, net of depreciation	-	5,634,225	5,634,225	-
Total assets	<u>10,455,813</u>	<u>11,887,299</u>	<u>22,343,112</u>	<u>2,289,632</u>
DEFERRED OUTFLOWS OF RESOURCES				
Amounts related to pensions	<u>234,610</u>	<u>24,665</u>	<u>259,275</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	280,348	-	280,348	-
Accrued salaries and benefits	132,590	-	132,590	-
Retainage payable	-	110,807	110,807	-
Accrued interest payable	18,072	10,469	28,541	-
Intergovernmental payable	4,215,261	-	4,215,261	-
Other	58,341	-	58,341	-
Noncurrent liabilities:				
Due within one year	75,993	151,060	227,053	-
Due in more than one year	780,827	2,922,948	3,703,775	-
Net pension liability	<u>4,385,669</u>	<u>461,074</u>	<u>4,846,743</u>	<u>-</u>
Total liabilities	<u>9,947,101</u>	<u>3,656,358</u>	<u>13,603,459</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Property taxes	2,433,425	-	2,433,425	-
Unavailable revenue - Other	31,000	-	31,000	-
Amounts related to pensions	<u>887,998</u>	<u>93,357</u>	<u>981,355</u>	<u>-</u>
Total deferred inflows of resources	<u>3,352,423</u>	<u>93,357</u>	<u>3,445,780</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	(570,708)	5,778,723	5,208,015	1,008,739
Restricted	1,169,255	-	1,169,255	1,280,893
Unrestricted	<u>(3,207,648)</u>	<u>2,383,526</u>	<u>(824,122)</u>	<u>-</u>
Total net position	<u>\$ (2,609,101)</u>	<u>\$ 8,162,249</u>	<u>\$ 5,553,148</u>	<u>\$ 2,289,632</u>

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

EXHIBIT B
TOWN OF NEWPORT, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues		Net (Expense) Revenue and		Component Unit
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Expenses					Total
Governmental activities:					
General government	\$ 1,528,153	\$ 66,551	\$ 1,109	\$ (1,460,493)	\$ (1,460,493)
Public safety	3,222,027	496,320	-	(2,725,707)	(2,725,707)
Highways and streets	1,726,781	-	159,479	(1,567,302)	(1,567,302)
Airport operations	136,527	126,638	-	(9,889)	(9,889)
Sanitation	1,601	48,979	-	47,378	47,378
Health	11,979	-	-	(11,979)	(11,979)
Welfare	145,240	-	-	(145,240)	(145,240)
Culture and recreation	833,265	119,461	-	(583,804)	(583,804)
Conservation	303	-	-	(303)	(303)
Interest on long-term debt	19,654	-	-	(19,654)	(19,654)
Total governmental activities	7,625,530	857,949	290,588	(6,476,993)	(6,476,993)
Business-type activities:					
Water department	795,560	895,866	4,779	105,085	105,085
Sewer department	1,056,094	1,060,162	2,272	6,340	6,340
Total business-type activities	1,851,654	1,956,028	7,051	111,425	111,425
Total	\$ 9,477,184	\$ 2,813,977	\$ 297,639	(6,476,993)	(6,365,568)
Component unit:					
Richards Free Library	\$ 591,083	\$ 99,887	\$ 158,435	-	(332,761)
General revenues:					
Taxes:					
Property			4,652,427	-	4,652,427
Other			365,145	-	365,145
Motor vehicle permit fees			999,356	-	999,356
Licenses and other fees			34,821	-	34,821
Grants and contributions not restricted to specific programs			343,129	-	343,129
Miscellaneous			368,796	815	369,611
Total general revenues			6,763,674	815	6,764,489
Change in net position			286,681	112,240	398,921
Net position, beginning, as restated (see Note 19)			(2,895,782)	8,050,009	5,154,227
Net position, ending			\$ (2,609,101)	\$ 8,162,249	\$ 5,553,148

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

EXHIBIT C-1
TOWN OF NEWPORT, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,196,157	\$ 1,039,946	\$ 5,236,103
Investments	176,824	561,477	738,301
Accounts receivable (net)	273,129	52,453	325,582
Taxes receivable	3,564,284	-	3,564,284
Intergovernmental receivable	117,382	30,471	147,853
Interfund receivable	676,985	17,073	694,058
Inventory	-	7,835	7,835
Prepaid items	74,554	-	74,554
Tax deeded property, subject to resale	49,601	-	49,601
Total assets	<u>\$ 9,128,916</u>	<u>\$ 1,709,255</u>	<u>\$ 10,838,171</u>
LIABILITIES			
Accounts payable	\$ 277,885	\$ 2,463	\$ 280,348
Accrued salaries and benefits	132,590	-	132,590
Intergovernmental payable	4,215,261	-	4,215,261
Interfund payable	17,073	194,034	211,107
Other	58,341	-	58,341
Total liabilities	<u>4,701,150</u>	<u>196,497</u>	<u>4,897,647</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	3,236,227	-	3,236,227
Unavailable revenue - Other	6,206	31,000	37,206
Total deferred inflows of resources	<u>3,242,433</u>	<u>31,000</u>	<u>3,273,433</u>
FUND BALANCES (DEFICIT)			
Nonspendable	124,155	602,194	726,349
Restricted	-	567,061	567,061
Committed	98,496	263,114	361,610
Assigned	1,028,063	71,611	1,099,674
Unassigned (deficit)	(65,381)	(22,222)	(87,603)
Total fund balances	<u>1,185,333</u>	<u>1,481,758</u>	<u>2,667,091</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,128,916</u>	<u>\$ 1,709,255</u>	<u>\$ 10,838,171</u>

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

EXHIBIT C-2
TOWN OF NEWPORT, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2015

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,667,091
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (211,107)	
Payables	<u>211,107</u>	
Certain resources are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$ 234,610	
Deferred inflows of resources related to pensions	<u>(887,998)</u>	
		(653,388)
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds.		809,008
Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual.		(136,750)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(18,072)
Repayment of long-term liabilities not due until subsequent year are recorded in the governmental funds as prepaid items, but reduce the liability on the government-wide financial statements.		
Prepaid capital lease		(34,501)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bond	\$ 448,216	
Capital leases	122,492	
Compensated absences	286,112	
Net pension liability	<u>4,385,669</u>	
		<u>(5,242,489)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (2,609,101)</u></u>

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

EXHIBIT C-3
TOWN OF NEWPORT, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 4,921,473	\$ 51,088	\$ 4,972,561
Licenses and permits	1,034,177	-	1,034,177
Intergovernmental	469,674	164,043	633,717
Charges for services	675,273	182,676	857,949
Miscellaneous	270,505	98,291	368,796
Total revenues	<u>7,371,102</u>	<u>496,098</u>	<u>7,867,200</u>
EXPENDITURES			
Current:			
General government	1,513,278	18,000	1,531,278
Public safety	2,949,102	31,073	2,980,175
Highways and streets	1,353,149	-	1,353,149
Airport operations	-	136,527	136,527
Sanitation	1,601	-	1,601
Health	11,979	-	11,979
Welfare	141,623	-	141,623
Culture and recreation	654,255	17,223	671,478
Conservation	-	303	303
Debt service:			
Principal	64,738	-	64,738
Interest	21,028	-	21,028
Other	40,404	-	40,404
Capital outlay	557,009	197,710	754,719
Total expenditures	<u>7,308,166</u>	<u>400,836</u>	<u>7,709,002</u>
Excess of revenues over expenditures	<u>62,936</u>	<u>95,262</u>	<u>158,198</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	11,772	47,073	58,845
Transfers out	(47,073)	(11,772)	(58,845)
Capital lease	53,941	-	53,941
Total other financing sources (uses)	<u>18,640</u>	<u>35,301</u>	<u>53,941</u>
Net change in fund balances	81,576	130,563	212,139
Fund balances, beginning, as restated (see Note 19)	1,103,757	1,351,195	2,454,952
Fund balances, ending	<u>\$ 1,185,333</u>	<u>\$ 1,481,758</u>	<u>\$ 2,667,091</u>

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

EXHIBIT C-4
TOWN OF NEWPORT, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 212,139
Amounts reported for governmental activities in the Statement of Activities are different because:		
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (58,845)	
Transfers out	<u>58,845</u>	
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses.		
Contributions subsequent to the measurement date	\$ 234,610	
Net pension expense	<u>(217,547)</u>	17,063
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred inflows for 60 day revenue recognition	\$ 59,098	
Change in allowance for uncollectible property taxes	<u>(14,087)</u>	45,011
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Capital lease inception	\$ (53,941)	
Repayment of bond principal	64,738	
Repayment of capital leases	<u>53,342</u>	64,139
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 7,473	
Increase in prepaid capital leases	(19,037)	
Increase in compensated absences payable	<u>(40,107)</u>	(51,671)
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 286,681</u></u>

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

EXHIBIT D
TOWN OF NEWPORT, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 4,945,593	\$ 4,945,593	\$ 4,966,484	\$ 20,891
Licenses and permits	912,500	912,500	1,034,177	121,677
Intergovernmental	468,242	468,242	469,674	1,432
Charges for services	784,202	784,202	675,273	(108,929)
Miscellaneous	214,000	214,000	270,098	56,098
Total revenues	<u>7,324,537</u>	<u>7,324,537</u>	<u>7,415,706</u>	<u>91,169</u>
EXPENDITURES				
Current:				
General government	2,884,334	1,617,154	1,746,845	(129,691)
Public safety	2,064,788	2,979,499	2,904,986	74,513
Highways and streets	1,062,769	1,332,904	1,300,762	32,142
Sanitation	3,675	3,675	3,262	413
Health	11,096	11,673	11,501	172
Welfare	177,132	190,723	141,623	49,100
Culture and recreation	572,978	641,144	654,755	(13,611)
Debt service:				
Principal	90,738	90,738	64,738	26,000
Interest	21,030	21,030	21,028	2
Other	40,405	40,405	40,404	1
Capital outlay	405,672	405,672	500,059	(94,387)
Total expenditures	<u>7,334,617</u>	<u>7,334,617</u>	<u>7,389,963</u>	<u>(55,346)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,080)</u>	<u>(10,080)</u>	<u>25,743</u>	<u>35,823</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	32,153	32,153	31,925	(228)
Transfers out	(22,073)	(22,073)	(52,073)	(30,000)
Total other financing sources (uses)	<u>10,080</u>	<u>10,080</u>	<u>(20,148)</u>	<u>(30,228)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	5,595	\$ 5,595
Increase in nonspendable fund balance			342,659	
Unassigned fund balance, beginning			252,417	
Unassigned fund balance, ending			<u>\$ 600,671</u>	

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

EXHIBIT E-1
TOWN OF NEWPORT, NEW HAMPSHIRE
Proprietary Fund
Statement of Net Position
June 30, 2015

	Business-type Activities Enterprise Funds		
	Water Department	Sewer Department	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 357,950	\$ 1,610,990	\$ 1,968,940
Investments	58,378	60,179	118,557
Receivables, net of allowance for uncollectible	402,754	440,995	843,749
Intergovernmental receivable	2,895	-	2,895
Interfund receivable	37,469	-	37,469
Restricted assets:			
Cash and cash equivalents	165,429	313,240	478,669
Total current assets	1,024,875	2,425,404	3,450,279
Noncurrent assets:			
Intergovernmental receivable	76,034	115,527	191,561
Capital assets:			
Land and construction in progress	56,258	3,075,396	3,131,654
Other capital assets, net of depreciation	2,162,930	3,471,295	5,634,225
Total noncurrent assets	2,295,222	6,662,218	8,957,440
Total assets	3,320,097	9,087,622	12,407,719
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	13,538	11,127	24,665
LIABILITIES			
Current liabilities:			
Retainage payable	-	110,807	110,807
Accrued interest payable	6,814	3,655	10,469
Interfund payable	195,969	324,451	520,420
Noncurrent liabilities:			
Due within one year	66,938	84,122	151,060
Due in more than one year	198,059	2,724,889	2,922,948
Net pension liability	253,072	208,002	461,074
Total liabilities	720,852	3,455,926	4,176,778
DEFERRED INFLOWS OF RESOURCES			
Amounts related to pensions	51,241	42,116	93,357
NET POSITION			
Net investment in capital assets	1,999,189	3,779,534	5,778,723
Unrestricted	562,353	1,821,173	2,383,526
Total net position	\$ 2,561,542	\$ 5,600,707	\$ 8,162,249

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

EXHIBIT E-2
TOWN OF NEWPORT, NEW HAMPSHIRE
Proprietary Fund
Statement of Revenues, Expenses, and Change in Net Position
For the Fiscal Year Ended June 30, 2015

	Business-type Activities Enterprise Funds		
	Water Department	Sewer Department	Total
Operating revenues:			
User charges	\$ 894,734	\$ 1,052,499	\$ 1,947,233
Miscellaneous	1,132	7,663	8,795
Total operating revenues	895,866	1,060,162	1,956,028
Operating expenses:			
Salaries and wages	445,333	364,387	809,720
Operation and maintenance	218,580	454,330	672,910
Depreciation and amortization	119,625	231,405	351,030
Total operating expenses	783,538	1,050,122	1,833,660
Operating gain	112,328	10,040	122,368
Nonoperating revenue (expense):			
Interest income	285	530	815
Interest expense	(12,022)	(5,972)	(17,994)
Intergovernmental	4,779	2,272	7,051
Total net nonoperating expenses	(6,958)	(3,170)	(10,128)
Change in net position	105,370	6,870	112,240
Net position, beginning, as restated (see Note 19)	2,456,172	5,593,837	8,050,009
Net position, ending	\$ 2,561,542	\$ 5,600,707	\$ 8,162,249

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

EXHIBIT E-3
TOWN OF NEWPORT, NEW HAMPSHIRE
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

	Business-type Activities Enterprise Funds		
	Water Department	Sewer Department	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 900,443	\$ 1,084,398	\$ 1,984,841
Payments to employees	(421,385)	(339,934)	(761,319)
Payments to suppliers	(331,867)	(474,992)	(806,859)
Net cash provided by operating activities	<u>147,191</u>	<u>269,472</u>	<u>416,663</u>
Cash flows from capital and related financing activities:			
Principal paid on bonds	(68,536)	(83,736)	(152,272)
Interest paid	(13,735)	(7,302)	(21,037)
Investment in capital reserve funds	-	(60,000)	(60,000)
Net cash used by capital and related financing activities	<u>(82,271)</u>	<u>(151,038)</u>	<u>(233,309)</u>
Cash flows from non-capital financing activities:			
State aid - water filtration grant	<u>18,696</u>	<u>26,887</u>	<u>45,583</u>
Cash flows from investing activities:			
Interest received	<u>82</u>	<u>351</u>	<u>433</u>
Net increase in cash	83,698	145,672	229,370
Cash, beginning	439,681	1,778,558	2,218,239
Cash, ending	<u>\$ 523,379</u>	<u>\$ 1,924,230</u>	<u>\$ 2,447,609</u>

Reconciliation of Operating Gain to Net Cash Provided by Operating Activities

Operating gain	<u>\$ 112,328</u>	<u>\$ 10,040</u>	<u>\$ 122,368</u>
Adjustments to reconcile operating gain to net cash provided by operating activities:			
Depreciation expense	119,625	231,405	351,030
Decrease in accounts receivables	4,577	24,236	28,813
Increase in retainage payable	-	51	51
Increase in compensated absences payable	19,644	20,746	40,390
Changes in deferred outflows, deferred inflows, and net pension liability associated with GASB Statement No. 68	4,304	3,707	8,011
Increase in interfund receivables	(5,051)	-	(5,051)
Decrease in interfund payables	(108,236)	(20,713)	(128,949)
Total adjustments	<u>34,863</u>	<u>259,432</u>	<u>294,295</u>
Net cash provided by operating activities	<u>\$ 147,191</u>	<u>\$ 269,472</u>	<u>\$ 416,663</u>

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

EXHIBIT F-1
TOWN OF NEWPORT, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
June 30, 2015

	Private Purpose Trust	Agency
ASSETS		
Investments	\$ 400,268	\$ 461,575
LIABILITIES		
Intergovernmental payable	-	461,575
NET POSITION		
Held in trust for specific purposes	\$ 400,268	\$ -

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

EXHIBIT F-2
TOWN OF NEWPORT, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
ADDITIONS	
New funds	\$ 3,000
Interest	626
Total revenue	<u>3,626</u>
DEDUCTIONS	
Scholarships	<u>9,900</u>
Change in net position	(6,274)
Net position, beginning	406,542
Net position, ending	<u><u>\$ 400,268</u></u>

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

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

	<u>NOTE</u>
Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Government-wide and Fund Financial Statements	1-B
Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....	1-C
Cash and Cash Equivalents.....	1-D
Statement of Cash Flows	1-E
Restricted Assets.....	1-F
Investments.....	1-G
Receivables.....	1-H
Inventory.....	1-I
Prepaid Items	1-J
Capital Assets	1-K
Deferred Outflows/Inflows of Resources	1-L
Property Taxes.....	1-M
Compensated Absences	1-N
Long-term Obligations.....	1-O
Claims and Judgments	1-P
Interfund Activities.....	1-Q
Net Position/Fund Balance Reporting	1-R
Defined Benefit Pension Plan	1-S
Stewardship, Compliance, and Accountability	2
Budgetary Information.....	2-A
Budgetary Reconciliation to GAAP Basis	2-B
Municipal Budget Law Violation	2-C
Change in Accounting Principle	2-D

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Investments	4
Restricted Cash and Investments	5
Taxes Receivable.....	6
Other Receivables	7
Prepaid Items	8
Capital Assets.....	9
Interfund Balances and Transfers	10
Intergovernmental Payables.....	11
Deferred Outflows/Inflows of Resources	12
Capital Leases	13
Long-term Liabilities	14
Encumbrances	15
State Aid to Water Pollution Projects.....	16
Governmental Activities Net Position	17
Governmental Fund Balances	18

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Prior Period Adjustments	19
Deficit Fund Balances	20
Defined Benefit Pension Plan	21
Other Postemployment Benefits (OPEB)	22
Risk Management	23
Contingencies	24
Related Party Transactions	25
Subsequent Events	26

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Newport, New Hampshire (the Town), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Newport is a municipal corporation governed by an elected 5-member Board of Selectmen and Town Manager. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organizations governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organizations resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Town is obligated of the debt of the organization. Based on the foregoing criteria, the Richards Free Library is included as a discretely presented component unit in the Town's financial reporting entity. However, the financial statements presented for the Richards Free Library are as of and for the year ended December 31, 2014.

1-B Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) 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 Net Position presents the financial position of the Town at year-end. This statement includes all of the Town's assets, liabilities, and net position, with the exception of the capital assets and related accumulated depreciation in the governmental activities, which have been omitted because they have not been inventoried at historical cost. In addition, long term costs of retirement, health care, and obligations for other postemployment benefits in the governmental activities have also been omitted because the liability and expense have not been determined.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. As in the Statement of Net Position mentioned above, the Town has not recorded depreciation expense nor other postemployment benefit expense in the governmental activities.

Discretely Presented Component Unit – The Richards Free Library is responsible for providing library services to the region that includes the Town's jurisdiction. It is managed by a board of trustees. One trustee is elected at Town Meeting, while the remaining board is self-appointed. However, the government is financially accountable for the library because annual Town Meeting approves the majority of the library's budget, levies taxes (if necessary), and must approved any debt issuances. The discretely presented component unit columns report the position and activity related to this entity.

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

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year. 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. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies, and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, deferred outflows/inflows, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Town reports the following major governmental fund:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The Town reports the following major proprietary funds:

Sewer Fund – accounts for the operation of the sewer treatment plant, pumping station, and sewer lines.

Water Fund – accounts for the operation of the water treatment plant, wells, and water system.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Additionally, the Town reports the following fund types:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - are used to account for the financial resources and activities relating to specific construction projects.

Permanent Fund - is used to record activity of legal trusts for which the interest on the corpus provides funds for the Town's cemetery operations.

Fiduciary Funds – The Town also reports the following fiduciary funds:

Private Purpose Trust Funds – are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Agency Fund - used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments.

1-D Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash 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 cash equivalents."

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

1-F Restricted Assets

Certain proceeds of the water and sewer proprietary funds are classified as restricted assets on the balance sheet because their use is limited to expenses relating to new hook-ups for water and sewer users or funds that are being held as retainage for future contractor expenses. In addition, in the Sewer Department the cash associated with the retainage payable has been reported as restricted since it will be used to satisfy contractual provisions.

1-G Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral. Investments for the Town are reported at fair value generally based on quoted market prices.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

1-H Receivables

Receivables recorded in the financial statements represent amounts due to the Town at June 30. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-I Inventory

The inventories of the Town are valued at cost using the first-in/first-out (FIFO) method. The inventories of the Town's nonmajor airport fund consist of fuel held for subsequent sale. The cost of such inventories is recorded as expenses when sold rather than when purchased.

1-J Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and expenses as the items are used.

1-K Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the business-type activities column in the government-wide financial statements. Capital assets in the governmental funds have not been capitalized as the Town has not determined the historical cost of the initial reporting of these assets.

Capital assets are defined by the Town as assets with an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances: i.e., tax-exempt bond anticipation notes (BANS) were issued to finance specific improvements.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Capital Asset Classes:	
Buildings and system	20 - 40
Machinery and equipment	5 - 40
Other improvements	40

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

1-L Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

1-M Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 20, 2014 and November 10, 2014 and due on July 1, 2014 and December 15, 2014. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Newport School District, and Sullivan County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2014 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 406,655,150
For all other taxes	\$ 420,680,350

The tax rates and amounts assessed for the year ended June 30, 2015 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$11.55	\$ 4,861,106
School portion:		
State of New Hampshire	\$2.51	1,020,385
Local	\$14.52	6,107,371
County portion	\$3.06	1,286,261
Total		<u>\$ 13,275,123</u>

1-N Compensated Absences

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that is probable the benefits will result in termination payments. The liability is based on the Town's experience of making termination payments.

1-O 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 Statement of Net Position.

1-P Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

1-Q Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as “internal balances.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-R Net Position/Fund Balance Reporting

Government-wide Statements – Equity is classified as net position and displayed in three components:

- a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Because the Town has not reported all of its capital assets in the governmental activities, this amount is a negative balance.
- b) *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Classifications - The fund balance of governmental funds is reported in five categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town’s governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen or Town Manager through the budgetary process.

Unassigned – This classification includes the residual fund balance for the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When multiple net position/fund balance classifications are available for use, it is the government’s practice to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

1-S Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general fund, proprietary funds, and nonmajor airport fund. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2015, none of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis, presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 7,447,631
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record revenue of the blended funds	407
To eliminate transfers between blended funds	(20,153)
Capital lease inception	53,941
Change in unavailable tax revenue relating to 60-day revenue recognition	(59,098)
Change in reserve for uncollectible property taxes, not reported on GAAP basis	14,087
Per Exhibit C-3 (GAAP basis)	<u>\$ 7,436,815</u>
	(continued)

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Budgetary reconciliation to GAAP basis:

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 7,442,036
Adjustment:	
Basis differences:	
Encumbrances, beginning	844,768
Encumbrances, ending	(980,506)
Capital lease inception	53,941
GASB Statement No. 54:	
To eliminate transfers between blended funds	(5,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 7,355,239</u>

2-C Municipal Budget Law Violation

The general fund had an excess of expenditures over appropriations for the year ended June 30, 2015 in the amount of \$85,346, resulting from an \$115,000 budget adjustment, by the NH Department of Revenue, netting lease proceeds from the appropriation for the purchase of a dump truck approved by Town Meeting. The State Municipal Budget Law (RSA Chapter 32) provides for emergency spending procedures whereby monies may be expended in excess of an appropriation, thereby resulting in an over expenditure of total appropriations. There is no indication that these procedures were followed by the governing body in order not to incur a violation.

2-D Change in Accounting Principle

Effective July 1, 2014, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – and amendment of GASB Statement No. 27*. The requirements of this Statement change the way the Town calculates and reports the costs and obligations associated with pensions. As a result of implementing GASB Statement No. 68 the Town has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing total net position as of July 1, 2014 by \$5,577,875 (\$5,056,120 in the governmental activities and \$521,755 in the business-type activities, respectively, see Note 19). The reduction accounts for the associated net position liability, deferred outflows of resources, and deferred inflows of resources related to pensions.

Also, the Town adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. This Statement addresses and issue in GASB Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employer and nonemployer contributing entities.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At June 30, 2015, the reported amount of the Town's deposits was \$7,683,712 and the bank balance was \$7,690,246. Of the bank balance \$5,879,515 was covered by federal depository insurance or by collateral held by the Town's agent in the Town's name, and \$1,810,731 was uninsured and uncollateralized.

NOTE 4 – INVESTMENTS

Note 1-G describes statutory requirements covering the investment of the Town funds. The Town also maintains a portfolio of intermediate maturity investments that are reported at fair value, based on quoted market prices. The Town's fiscal agent or custodian provides the fair value of all intermediate maturity investments.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

As of June 30, 2015 the Town had the following investments:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Certificates of deposit	\$ 113,649	\$ 118,557	\$ 837,944	\$ 1,070,150
Common stock	1,668	-	-	1,668
Corporate bonds	89,787	-	-	89,787
Equity mutual fund	176,867	-	-	176,867
Fixed income mutual fund	-	-	23,899	23,899
Municipal bonds	172,173	-	-	172,173
New Hampshire Public Deposit Investment Pool	63,175	-	-	63,175
U.S. Government agency bonds	84,533	-	-	84,533
U.S. Treasury bonds	36,449	-	-	36,449
	<u>\$ 738,301</u>	<u>\$ 118,557</u>	<u>\$ 861,843</u>	<u>\$ 1,718,701</u>

At June 30, 2015, this Town had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Total
Investments type:					
Certificates of deposit	\$ -	\$ 754,563	\$ 315,587	\$ -	\$ 1,070,150
Common stock	1,668	-	-	-	1,668
Corporate bonds	-	30,037	29,671	30,079	89,787
Equity mutual fund	176,867	-	-	-	176,867
Fixed income mutual fund	23,899	-	-	-	23,899
Municipal bonds	-	-	77,819	94,354	172,173
New Hampshire Public Deposit Investment Pool	63,175	-	-	-	63,175
U.S. Government agency bonds	-	-	79,436	5,097	84,533
U.S. Treasury bonds	-	-	36,449	-	36,449
Total fair value	<u>\$ 265,609</u>	<u>\$ 784,600</u>	<u>\$ 538,962</u>	<u>\$ 129,530</u>	<u>\$ 1,718,701</u>

Interest Rate Risk – This 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.

Credit Risk - The Town has no formal policy on managing credit risk; however, state law limits investments as explained in Note 1-G. The Town's investment pool had the following credit risk structure at June 30, 2015:

Investment Type	Credit Rating*	Fair Value	Percent of Grand Total
Corporate bonds	Aa	\$ 29,671	7.75%
Corporate bonds	A	30,079	7.85%
Corporate bonds	NI Grade	30,037	7.84%
		<u>89,787</u>	<u>23.45%</u>
Municipal bonds	Aa	141,154	36.86%
Municipal bonds	NR	31,019	8.10%
		<u>172,173</u>	<u>44.96%</u>
U.S. Government agency bonds	Aaa	73,371	19.16%
U.S. Government agency bonds	NR	11,162	2.91%
		<u>84,533</u>	<u>22.07%</u>
U.S. Treasury bonds		36,449	9.52%
Total		<u>\$ 382,942</u>	<u>100.00%</u>

*Per Moody's

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g. broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have custodial credit risk policies for investments.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 856,858
Investments per Statement of Net Position - Fiduciary Funds (Exhibit F-1)	861,843
Total investments	<u>\$ 1,718,701</u>

NOTE 5 – RESTRICTED CASH AND INVESTMENTS

Restricted cash and cash equivalents at June 30, 2015 consisted of the following:

Water Department:	
Water hookup fees	<u>\$ 165,429</u>
Sewer Department:	
Sewer hookup fees	202,429
Sewer retainage	<u>110,811</u>
Total Sewer Department	<u>313,240</u>
Total restricted cash and cash equivalents	<u>\$ 478,669</u>

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2015. The amount has been reduced by an allowance for an estimated uncollectible amount of \$136,750. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2015	\$ 2,648,788	\$ 2,648,788
Unredeemed (under tax lien):		
Levy of 2014	445,318	445,318
Levy of 2013	289,400	289,400
Levies of 2012 and prior	167,694	167,694
Yield	6,584	6,584
Land use change	6,500	6,500
Less: allowance for estimated uncollectible taxes	(136,750) *	-
Net taxes receivable	<u>\$ 3,427,534</u>	<u>\$ 3,564,284</u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60 day rule as explained in Note 1-C. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 7 – OTHER RECEIVABLES

Receivables at June 30, 2015, consisted of accounts (billings for police details, water, sewer, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Receivables as of June 30, 2015 for the Town's governmental and proprietary funds including applicable allowances for uncollectible accounts are as follows:

	Governmental Funds			Proprietary Funds		
	General	Nonmajor	Total	Water Department	Sewer Department	Total
Receivables:						
Accounts	\$ 428,796	\$ 52,453	\$ 481,249	\$ 402,754	\$ 440,995	\$ 843,749
Intergovernmental	117,382	30,471	147,853	78,929	115,527	194,456
Gross receivables	546,178	82,924	629,102	481,683	556,522	1,038,205
Less: allowance for uncollectibles	(155,667)	-	(155,667)	-	-	-
Net total receivables	<u>\$ 390,511</u>	<u>\$ 82,924</u>	<u>\$ 473,435</u>	<u>\$ 481,683</u>	<u>\$ 556,522</u>	<u>\$ 1,038,205</u>

NOTE 8 – PREPAID ITEMS

Prepaid items at June 30, 2015 consisted of the following:

Insurance	\$ 11,415
Various lease prepayments	34,501
Dues and fees	22,819
Miscellaneous	5,819
Total	<u>\$ 74,554</u>

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 consisted of the following:

	Balance, beginning	Additions	Disposals	Balance, ending
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 442,421	\$ -	\$ -	\$ 442,421
Construction in progress	2,700,860	-	(11,627)	2,689,233
Total capital assets not being depreciated	<u>3,143,281</u>	<u>-</u>	<u>(11,627)</u>	<u>3,131,654</u>
Being depreciated:				
Buildings and building improvements	6,333,419	-	-	6,333,419
Machinery and equipment	1,669,243	-	-	1,669,243
Other improvements	4,942,093	11,627	-	4,953,720
Total capital assets being depreciated	<u>12,944,755</u>	<u>11,627</u>	<u>-</u>	<u>12,956,382</u>
Total all capital assets	<u>16,088,036</u>	<u>11,627</u>	<u>(11,627)</u>	<u>16,088,036</u>
Less accumulated depreciation:				
Buildings and building improvements	(3,887,996)	(158,838)	-	(4,046,834)
Machinery and equipment	(1,373,327)	(61,741)	-	(1,435,068)
Other improvements	(1,709,804)	(130,451)	-	(1,840,255)
Total accumulated depreciation	<u>(6,971,127)</u>	<u>(351,030)</u>	<u>-</u>	<u>(7,322,157)</u>
Net book value, capital assets being depreciated	<u>5,973,628</u>	<u>(339,403)</u>	<u>-</u>	<u>5,634,225</u>
Net book value, all business-type activities capital assets	<u>\$ 9,116,909</u>	<u>\$ (339,403)</u>	<u>\$ (11,627)</u>	<u>\$ 8,765,879</u>

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

Business-type activities:	
Water	\$ 119,625
Sewer	231,405
Total depreciation expense	<u>\$ 351,030</u>

NOTE 10 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
Governmental funds:		
General	Nonmajor governmental	\$ 194,034
	Water	195,969
	Sewer	286,982
Nonmajor	General	17,073
		<u>694,058</u>
Business-type activities:		
Water	Sewer	37,469
		<u>\$ 731,527</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended June 30, 2015 is as follows:

	Transfers In:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ -	\$ 47,073	\$ 47,073
Nonmajor fund	11,772	-	11,772
Total	<u>\$ 11,772</u>	<u>\$ 47,073</u>	<u>\$ 58,845</u>

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 11 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$4,215,261 at June 30, 2015 consist of the following:

General fund:	
Property taxes levied prior to their due date and payable to:	
Sullivan County	\$ 646,343
Newport School District	3,568,090
Miscellaneous fees due to the State of New Hampshire	828
Total general fund	<u>4,215,261</u>
Agency fund:	
Trust funds held by the Town's Trustees of Trust Funds on behalf of the Newport School District	461,575
Total intergovernmental payables due	<u>\$ 4,676,836</u>

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

NOTE 12 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of \$234,610 in the governmental activities and \$24,665 in the business-type activities at June 30, 2015 consists of amounts related to pensions, see Note 21.

Deferred inflows of resources are as follows:

	Business-type Activities	Governmental Activities	General Fund	Nonmajor Governmental Funds
Property taxes levied prior to their due date	\$ -	\$ 2,433,425	\$ 2,433,425	\$ -
Property tax receivables not collected within 60 days of the end of the year*	-	-	802,802	-
Grant revenue collected in advance of eligible expenditures*	-	-	6,206	-
Airport hangar leases	-	31,000	-	31,000
Amounts related to pensions, see Note 21	93,357	887,998	-	-
Total deferred inflows of resources	<u>\$ 93,357</u>	<u>\$ 3,352,423</u>	<u>\$ 3,242,433</u>	<u>\$ 31,000</u>

*These amounts are not recorded on the government-wide Statement of Net Position, as they have been recognized as revenues on the full accrual basis in accordance with GASB Statement No. 34.

NOTE 13 – CAPITAL LEASES

The Town has entered into certain capital lease agreements under which the related equipment will become the property of the Town when all the terms of the lease agreements are met.

Leased equipment under capital leases, included in capital assets, is as follows:

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2015
Capital lease obligations:		
Sidewalk plow	4.50%	\$ 79,760
Police cruiser	6.45%	7,829
Police cruiser	6.00%	34,903
Total capital lease obligations		<u>\$ 122,492</u>

The annual requirements to amortize the capital leases payable as of June 30, 2015, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2016	\$ 8,334
2017	34,500
2018	34,502
2019	15,463
2020	15,464
2021-2022	30,928
Total requirements	139,191
Less: interest	16,699
Present value of remaining payments	<u>\$ 122,492</u>

Amortization of lease equipment under capital assets is included with depreciation expense.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

NOTE 14 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Governmental activities:					
General obligation bond	\$ 512,954	\$ -	\$ (64,738)	\$ 448,216	\$ 67,392
Capital leases	121,893	53,941	(53,342)	122,492	7,829
Compensated absences	246,005	40,107	-	286,112	772
Total long-term liabilities	<u>\$ 880,852</u>	<u>\$ 94,048</u>	<u>\$ (118,080)</u>	<u>\$ 856,820</u>	<u>\$ 75,993</u>
Business-type activities:					
General obligation bonds	\$ 3,139,428	\$ -	\$ (152,272)	\$ 2,987,156	\$ 150,288
Compensated absences	46,462	40,390	-	86,852	772
Total long-term liabilities	<u>\$ 3,185,890</u>	<u>\$ 40,390</u>	<u>\$ (152,272)</u>	<u>\$ 3,074,008</u>	<u>\$ 151,060</u>

Long-term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2015
Governmental activities:					
General obligation bond payable:					
Pumper/rescue truck	\$ 900,000	2007	2021	4.100	<u>\$ 448,216</u>
Business-type activities:					
General obligation bonds payable:					
Water treatment plant	\$ 1,050,000	1992	2022	5.500	189,654
Parkview sewer project	\$ 120,000	2005	2026	4.500	40,300
Cheney street project	\$ 357,000	2007	2016	2.180	35,700
Cheney street project	\$ 357,000	2007	2016	2.095	30,345
Guild pump station	\$ 440,362	2009	2026	2.180	132,108
State revolving loan*	\$ 2,559,049	2013			2,559,049
					<u>2,987,156</u>
Total					<u>\$ 3,435,372</u>

***Water Pollution Control Revolving Loan Fund Program** – Drawdowns received under the Water Pollution Control Revolving Loan Fund Program will be consolidated by a promissory note upon substantial completion of the wastewater treatment facility. Management is of the opinion that 30% of the total drawdowns will be forgiven as a result of the Environmental Protection Agency (EPA) through the State of New Hampshire. However, as of June 30, 2015, drawdowns received to date totaling \$2,559,049 are recorded on the Town's financial statements, exclusive of the 30% anticipated forgiveness. Interest on the drawdown accrues from the date of the drawdown at 1.00% per annum. The note, plus interest, will be paid from the sewer department fund.

The annual requirements to amortize all **governmental activities** general obligation bonds outstanding as of June 30, 2015, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 67,392	\$ 18,373	\$ 85,765
2017	70,155	15,610	85,765
2018	73,031	12,734	85,765
2019	76,026	9,739	85,765
2020	79,143	6,622	85,765
2021	82,469	3,295	85,764
Totals	<u>\$ 448,216</u>	<u>\$ 66,373</u>	<u>\$ 514,589</u>

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

The annual requirements to amortize all *business-type activities* general obligation bonds outstanding as of June 30, 2015, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 150,288	\$ 16,537	\$ 166,825
2017	84,243	11,992	96,235
2018	84,243	8,862	93,105
2019	40,207	5,730	45,937
2020	40,207	3,559	43,766
2021-2025	28,620	3,241	31,861
2026	299	13	312
Totals	<u>\$ 428,107</u>	<u>\$ 49,934</u>	<u>\$ 478,041</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues. Water Pollution Control Revolving Loan balance not included above as the loan has not yet entered repayment.

Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of June 30, 2015 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
May 8, 2007	Guild sewer pump station replacement	\$ 104,638
May 13, 2008	Ambulance	50,000
May 11, 2010	Closing sewer lagoon	3,000,000
May 11, 2010	Wastewater treatment plant upgrade	5,400,000
April 2, 2013	Ambulance	78,000
		<u>\$ 8,632,638</u>

NOTE 15 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2015 are as follows:

General fund:	
General government	\$ 467,522
Public safety	52,525
Highways and streets	203,985
Sanitation	6,358
Culture and recreation	1,500
Capital outlay	248,616
Total encumbrances	<u>\$ 980,506</u>

NOTE 16 – STATE AID TO WATER POLLUTION PROJECTS

The Town is due to receive from the State of New Hampshire the following amounts in the form of state aid to water pollution and drinking water projects:

Bonds Issued	Amount
WWTP	\$ 76,034
Cheney Street sewer	10,622
Guild station	104,905
Total	<u>\$ 191,561</u>

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Under New Hampshire RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At June 30, 2015 the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending June 30,	Amount
2016	\$ 34,695
2017	24,073
2018	24,073
2019	24,073
2020	24,073
2021-2023	60,574
	<u>\$ 191,561</u>

NOTE 17 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental and business-type activities net position reported on the government-wide Statement of Net Position at June 30, 2015 include the following:

	Governmental Activities	Business-type Activities	Total	Component Unit
Net investment in capital assets:				
Net property, buildings, and equipment	\$ -	\$ 8,765,879	\$ 8,765,879	\$ 1,008,739
Less:				
General obligation bonds payable	(448,216)	(2,987,156)	(3,435,372)	-
Capital leases payable	(122,492)	-	(122,492)	-
Total net investment in capital assets	<u>(570,708)</u>	<u>5,778,723</u>	<u>5,208,015</u>	<u>1,008,739</u>
Restricted net position:				
Airport	7,835	-	7,835	-
Police drug forfeiture	9,311	-	9,311	-
Capital projects	557,750	-	557,750	-
Nonexpendable permanent funds	594,359	-	594,359	-
Library purposes	-	-	-	1,280,893
Total restricted net position	<u>1,169,255</u>	<u>-</u>	<u>1,169,255</u>	<u>1,280,893</u>
Unrestricted	<u>(3,207,648)</u>	<u>2,383,526</u>	<u>(824,122)</u>	<u>-</u>
Total net position	<u>\$ (2,609,101)</u>	<u>\$ 8,162,249</u>	<u>\$ 5,553,148</u>	<u>\$ 2,289,632</u>

NOTE 18 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2015 include the following:

Nonspendable:

Major fund:

General:

Prepaid items	\$ 74,554
Tax deeded property, subject to resale	49,601
	<u>124,155</u>

Nonmajor funds:

Airport - inventory	7,835
Permanent fund - principal balance	594,359
	<u>602,194</u>

Total nonspendable fund balance	\$ 726,349
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(continued)

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Governmental fund balances continued:

Restricted:

Nonmajor funds:		
Police drug forfeiture	\$ 9,311	
Town hall improvements	382,698	
Bridge	<u>175,052</u>	
Total restricted fund balance		567,061

Committed:

Major fund:		
General:		
Expendable trust	<u>\$ 98,496</u>	
Nonmajor funds:		
Conservation commission	13,625	
Bald Mt TIF District	144,350	
Recreation revolving	<u>105,139</u>	
	<u>263,114</u>	
Total committed fund balance		361,610

Assigned:

Major fund:		
General:		
Encumbrances	\$ 980,506	
CDBG revolving loan	<u>47,557</u>	
	<u>1,028,063</u>	
Nonmajor funds:		
Ambulance	7,992	
Neighborhood Improvement	<u>63,619</u>	
	<u>71,611</u>	
Total assigned fund balance		1,099,674

Unassigned (deficit):

Major fund:		
General (deficit)	\$ (65,381)	
Nonmajor fund:		
Airport (deficit)	<u>(22,222)</u>	
Total unassigned fund balance (deficit)		<u>(87,603)</u>
Total governmental fund balances		<u>\$ 2,667,091</u>

NOTE 19 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at July 1, 2014 was restated to give retroactive effect to the following prior period adjustments:

	Governmental Activities	Business-type Activities	General Fund	Other Governmental Funds
To remove funds previously blended with the general funds	\$ -	\$ -	\$ (71,588)	\$ 71,588
To record the changes associated with GASB Statements No. 68 and No. 71:				
Deferred outflows of resources	234,610	24,665	-	-
Deferred inflows of resources	(887,998)	(93,357)	-	-
Net pension liability	(4,402,732)	(453,063)	-	-
Net position/fund balance, as previously reported	2,160,338	8,571,764	1,175,345	1,279,607
Net position/fund balance, as restated	<u>\$ (2,895,782)</u>	<u>\$ 8,050,009</u>	<u>\$ 1,103,757</u>	<u>\$ 1,351,195</u>

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

NOTE 20 – DEFICIT FUND BALANCES

The general fund deficit of \$65,381 reported on the GAAP basis is the result of the Town's compliance with GAAP by reporting deferred inflows of resources for property taxes not collected within 60 days of the fiscal year-end. However, on the non-GAAP budgetary basis, the unassigned fund balance at June 30, 2015 is \$600,671.

The airport special revenue fund had a total deficit fund balance of \$14,387 at June 30, 2015. This deficit will be financed through the recognition of deferred inflows of resources (hangar lease payments) in subsequent fiscal years.

NOTE 21 – DEFINED BENEFIT PENSION PLAN

Plan Description: The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publically available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided: The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Contributions: The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees except police officers and firefighters are required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town's contribution rates for pension and medical subsidy were 25.30% for police officers, 27.74% for firefighters, and 10.77% for all other employees. The contribution requirements for the fiscal years 2013, 2014, and 2015 were \$397,866, \$466,200, and \$495,388 respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015 the Town reported a liability of \$4,385,669 in the governmental activities and \$461,074 in the business-type activities (total of \$4,846,743) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2014, the Town's proportion was .12912300% which was a decrease of .01021436% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$217,547. At June 30, 2015 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental activities:		
Changes in proportion	\$ -	\$ 326,848
Net difference between projected and actual investment earnings on pension plan investments	-	561,150
Contributions subsequent to the measurement date	234,610	-
Business-type activities:		
Changes in proportion	-	34,362
Net difference between projected and actual investment earnings on pension plan investments	-	58,995
Contributions subsequent to the measurement date	24,665	-
Total	<u>\$ 259,275</u>	<u>\$ 981,355</u>

The \$259,275 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Governmental Activities	Business-type Activities	Total
2016	\$ (211,223)	\$ (22,207)	\$ (233,430)
2017	(211,223)	(22,207)	(233,430)
2018	(211,223)	(22,207)	(233,430)
2019	(43,102)	(4,532)	(47,634)
Thereafter	-	-	-
Totals	<u>\$ (676,771)</u>	<u>\$ (71,153)</u>	<u>\$ (747,924)</u>

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2013, using the following actuarial assumptions which, accordingly apply to both 2014 and 2013 measurements:

Inflation:	3.0%
Salary increases:	3.75- 5.8% average, including inflation
Investment rate of return:	7.75% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

Long-term Rates of Return: The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Following is a table presenting target allocations and long-term rates of return for 2014 and 2013:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return	
		2014	2013
Large Cap Equities	22.50%	3.25%	3.75%
Small/Mid Cap Equities	7.50%	3.25%	4.00%
Total domestic equity	30.00%		
Int'l Equities (unhedged)	13.00%	4.25%	4.75%
Emerging Int'l Equities	7.00%	6.50%	6.75%
Total international equity	20.00%		
Core Bonds	18.00%	-0.47%	-0.96%
High-Yield Bonds	1.50%	1.50%	2.00%
Global Bonds (unhedged)	5.00%	-1.75%	-2.25%
Emerging Market Debt (external)	0.50%	2.00%	1.00%
Total fixed income	25.00%		
Private equity	5.00%	5.75%	6.00%
Private debt	5.00%	5.00%	5.50%
Real estate	10.00%	3.25%	3.00%
Opportunistic	5.00%	2.50%	2.63%
Total alternative investments	25.00%		
Total	100.00%		

Discount Rate: The discount rate used to measure the collective total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
June 30, 2014	\$ 6,383,948	\$ 4,846,743	\$ 3,549,879
June 30, 2013	\$ 7,687,997	\$ 5,996,780	\$ 4,575,152

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 22 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the Town's contractual agreements. The town does not directly pay for the retirees but through the implicit costs associated with the rates paid for current employees that are charged to the general, sewer, and water funds.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, which was effective for the Town on January 1, 2009, requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported on the financial statements. The Town has not implemented GASB Statement No. 45 at June 30, 2015 or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the Town. The amounts that should be recorded as the annual required contribution/OPEB cost and the net OPEB obligation are unknown.

NOTE 23 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2015, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are a pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2014 to June 30, 2015 for property/liability and January 1, 2015 to January 1, 2016 for workers' compensation by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Newport billed for the year ended June 30, 2015 was \$88,394 for workers' compensation and \$118,051 for property/liability.

NOTE 24 – CONTINGENCIES

There are various legal claims and suits pending against the Town which arose in the normal course of the governments activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 25 – RELATED PARTY TRANSACTIONS

Financial reporting standards require disclosure of significant related-party transactions, including the nature of the relationship, a description of the transactions, dollar amounts of the transaction, and amounts due to or due from the related party at the financial statement date.

The Economic Corporation of Newport, Inc. (ECON) is a separate 501(c)3 non-profit entity formed under the direction of the 1991 Town of Newport town meeting for the development of economic projects and relationships to benefit the Town. The Town Manager is an automatic member of the ECON Board, but the Board is self-appointing for all other members. While not a component unit, ECON does qualify as a related party.

The Town and ECON have many interactions through the course of the year. One ongoing activity is the Town manages the Ash Landfill owned by ECON as a contracted service. For the year ended June 30, 2015, that contract was in the amount of \$35,000 plus any additional costs, and at June 30, 2015, the Town has recorded a receivable in the amount of \$115,826 from ECON.

NOTE 26 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Management has evaluated subsequent events through April 7, 2017, the date the June 30, 2015 financial statements were available to be issued, and the following occurred that required disclosure:

In January 2015, a general contractor filed and served the Town with a lawsuit seeking unpaid sums still due under a \$2.3 million wastewater treatment facility construction contract, as well as damages. The Town filed counterclaims against the contractor, as well as third party cross-claims against the engineering firm and sub-contractor that designed the facility, alleging breaches of contract and negligence and seeking damages. The facility cannot be operated and the Town is unable to meet the discharge limits required by the EPA in the Town's NPDES permit, which was the purpose of constructing the facility. The parties are engaged in discovery and a trial in 2018 is currently scheduled.

In August 2015, the Town signed an Administrative Order by Consent with the NH Department of Environmental Services provided for a new Facilities Plan to be developed by the Town by December 31, 2017. The Town has entered into contract with a different engineering firm to complete this Plan.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G
TOWN OF NEWPORT, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2015

Valuation Date	Town's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Town Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
July 1, 2014	0.12912300%	\$ 4,846,743	\$ 2,934,611	165.16%	59.81%
July 1, 2013	0.13933736%	\$ 5,996,780	\$ 2,974,004	201.64%	66.32%

The note to the required supplementary information is an integral part of this schedule.

EXHIBIT H
TOWN OF NEWPORT, NEW HAMPSHIRE
Schedule of Town Contributions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2015

Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
July 1, 2014	\$ 418,905	\$ 418,905	\$ -	\$ 2,934,611	14.27%
July 1, 2013	\$ 346,467	\$ 346,467	\$ -	\$ 2,974,004	11.65%

The note to the required supplementary information is an integral part of this schedule.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Schedule of the Town's Proportionate Share of Net Pension Liability & Schedule of Town Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the Town's pension plan at June 30, 2015.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2014:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	25 Years beginning July 1, 2014
Asset Valuation Method	5-Year smooth market for funding purposes
Price Inflation	3.0% per year
Wage Inflation	3.75% per year
Salary Increases	5.8% Average, including inflation
Municipal Bond Rate	4.29% per year
Investment Rate of Return	7.75% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2005-2010.
Mortality	RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

Other Information:

Notes	Contribution rates for Fiscal Year 2014 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF NEWPORT, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 4,600,310	\$ 4,652,427	\$ 52,117
Land use change	20,000	8,340	(11,660)
Yield	20,000	22,017	2,017
Excavation	3,000	2,884	(116)
Payment in lieu of taxes	97,283	97,238	(45)
Interest and penalties on taxes	205,000	183,578	(21,422)
Total from taxes	<u>4,945,593</u>	<u>4,966,484</u>	<u>20,891</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	875,000	999,356	124,356
Building permits	15,000	17,146	2,146
Other	22,500	17,675	(4,825)
Total from licenses, permits, and fees	<u>912,500</u>	<u>1,034,177</u>	<u>121,677</u>
Intergovernmental:			
State:			
Meals and rooms distribution	313,129	313,129	-
Highway block grant	155,113	156,545	1,432
Total from intergovernmental	<u>468,242</u>	<u>469,674</u>	<u>1,432</u>
Charges for services:			
Income from departments	<u>784,202</u>	<u>675,273</u>	<u>(108,929)</u>
Miscellaneous:			
Sale of municipal property	2,000	-	(2,000)
Interest on investments	2,000	465	(1,535)
Rent of property	95,000	99,701	4,701
Insurance dividends and reimbursements	35,000	89,954	54,954
Contributions and donations	80,000	79,978	(22)
Total from miscellaneous	<u>214,000</u>	<u>270,098</u>	<u>56,098</u>
Other financing sources:			
Transfers in	<u>32,153</u>	<u>31,925</u>	<u>(228)</u>
Total revenues and other financing sources	<u>\$ 7,356,690</u>	<u>\$ 7,447,631</u>	<u>\$ 90,941</u>

SCHEDULE 2
TOWN OF NEWPORT, NEW HAMPSHIRE
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 152,667	\$ 156,300	\$ 6,400	\$ (10,033)
Election and registration	-	132,005	138,206	2,500	(8,701)
Financial administration	24,146	273,930	257,340	52,654	(11,918)
Revaluation of property	65,026	139,339	124,606	168,876	(89,117)
Legal	50,000	38,680	61,097	32,584	(5,001)
Planning and zoning	-	106,719	78,045	450	28,224
General government buildings	67,870	574,222	580,857	157,062	(95,827)
Cemeteries	12,530	8,703	3,919	16,233	1,081
Insurance, not otherwise allocated	-	1,000	-	380	620
Advertising and regional associations	-	24,496	25,158	-	(662)
Other	14,383	165,393	87,750	30,383	61,643
Total general government	233,955	1,617,154	1,513,278	467,522	(129,691)
Public safety:					
Police	12,000	1,452,589	1,382,360	-	82,229
Ambulance	-	484,973	507,298	5,000	(27,325)
Fire	30,700	556,651	543,672	46,175	(2,496)
Building inspection	-	45,000	40,725	1,350	2,925
Emergency management	-	7,180	4,864	-	2,316
Other	-	433,106	416,242	-	16,864
Total public safety	42,700	2,979,499	2,895,161	52,525	74,513
Highways and streets:					
Public works garage	142,155	316,284	279,940	145,710	32,789
Highways and streets	114,217	932,306	987,588	56,993	1,942
Bridges	-	8,308	7,489	1,282	(463)
Street lighting	-	76,006	78,132	-	(2,126)
Total highways and streets	256,372	1,332,904	1,353,149	203,985	32,142
Sanitation:					
Solid waste collection	4,697	3,675	1,601	6,358	413
Health:					
Administration	-	2,178	2,006	-	172
Health agencies	478	9,495	9,973	-	-
Total health	478	11,673	11,979	-	172
Welfare:					
Administration	-	36,003	34,518	-	1,485
Direct assistance	-	154,720	107,105	-	47,615
Total welfare	-	190,723	141,623	-	49,100
Culture and recreation:					
Parks and recreation	-	325,940	338,783	-	(12,843)
Library	-	311,070	311,070	-	-
Patriotic purposes	1,000	4,134	4,402	1,500	(768)
Total culture and recreation	1,000	641,144	654,255	1,500	(13,611)

(Continued)

SCHEDULE 2 (Continued)
TOWN OF NEWPORT, NEW HAMPSHIRE
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	90,738	64,738	-	26,000
Interest on long-term debt	-	21,029	21,028	-	1
Interest on tax anticipation notes	-	1	-	-	1
Other	-	40,405	40,404	-	1
Total debt service	-	152,173	126,170	-	26,003
Capital outlay	305,566	405,672	557,009	248,616	(94,387)
Other financing uses:					
Transfers out	-	22,073	52,073	-	(30,000)
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 844,768	\$ 7,356,690	\$ 7,306,298	\$ 980,506	\$ (85,346)

SCHEDULE 3
TOWN OF NEWPORT, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended June 30, 2015

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 252,417
2015 Budget summary:		
Revenue surplus (Schedule 1)	\$ 90,941	
Over-expended balance of appropriations (Schedule 2)	<u>(85,346)</u>	
2015 Budget surplus		5,595
Increase in nonspendable fund balance		<u>342,659</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		600,671
Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:		
Deferred inflows of resources for property taxes not collected within 60 days of the fiscal year-end		(802,802)
Allowance for uncollectible property taxes not recognized on GAAP basis		<u>136,750</u>
Unassigned fund deficit, ending, GAAP basis (Exhibit C-1)		<u>\$ (65,381)</u>

SCHEDULE 4
TOWN OF NEWPORT, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

	Special Revenue Funds				
	Ambulance	Airport	Conservation Commission	Grants	Neighborhood Improvement Fund
ASSETS					
Cash and cash equivalents	\$ 26,208	\$ 123,445	\$ 16,066	\$ -	\$ 63,619
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Intergovernmental receivable	-	-	-	30,000	-
Interfund receivable	-	17,073	-	-	-
Inventory	-	7,835	-	-	-
Total assets	<u>\$ 26,208</u>	<u>\$ 148,353</u>	<u>\$ 16,066</u>	<u>\$ 30,000</u>	<u>\$ 63,619</u>
LIABILITIES					
Accounts payable	\$ 135	\$ -	\$ -	\$ -	\$ -
Interfund payable	18,081	131,740	2,441	30,000	-
Total liabilities	<u>18,216</u>	<u>131,740</u>	<u>2,441</u>	<u>30,000</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - Other	-	31,000	-	-	-
FUND BALANCES (DEFICIT)					
Nonspendable	-	7,835	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	13,625	-	-
Assigned	7,992	-	-	-	63,619
Unassigned (deficit)	-	(22,222)	-	-	-
Total fund balances (deficit)	<u>7,992</u>	<u>(14,387)</u>	<u>13,625</u>	<u>-</u>	<u>63,619</u>
Total liabilities and fund balances	<u>\$ 26,208</u>	<u>\$ 148,353</u>	<u>\$ 16,066</u>	<u>\$ 30,000</u>	<u>\$ 63,619</u>

Special Revenue Funds			Capital Project Funds		Permanent	Total
Bald Mt TIF District	Recreation Revolving	Police Drug Forfeiture	Town Hall Improvements	Bridge	Fund	
\$ 144,350	\$ 105,139	\$ 10,184	\$ 331,700	\$ 174,581	\$ 44,654	\$ 1,039,946
-	-	-	-	-	561,477	561,477
-	-	-	52,453	-	-	52,453
-	-	-	-	471	-	30,471
-	-	-	-	-	-	17,073
-	-	-	-	-	-	7,835
<u>\$ 144,350</u>	<u>\$ 105,139</u>	<u>\$ 10,184</u>	<u>\$ 384,153</u>	<u>\$ 175,052</u>	<u>\$ 606,131</u>	<u>\$ 1,709,255</u>
\$ -	\$ -	\$ 873	\$ 1,455	\$ -	\$ -	\$ 2,463
-	-	-	-	-	11,772	194,034
-	-	873	1,455	-	11,772	196,497
-	-	-	-	-	-	31,000
-	-	-	-	-	594,359	602,194
-	-	9,311	382,698	175,052	-	567,061
144,350	105,139	-	-	-	-	263,114
-	-	-	-	-	-	71,611
-	-	-	-	-	-	(22,222)
<u>144,350</u>	<u>105,139</u>	<u>9,311</u>	<u>382,698</u>	<u>175,052</u>	<u>594,359</u>	<u>1,481,758</u>
<u>\$ 144,350</u>	<u>\$ 105,139</u>	<u>\$ 10,184</u>	<u>\$ 384,153</u>	<u>\$ 175,052</u>	<u>\$ 606,131</u>	<u>\$ 1,709,255</u>

SCHEDULE 5
TOWN OF NEWPORT, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2015

	Special Revenue Funds				
	Ambulance	Airport	Conservation Commission	Grants	Neighborhood Improvement Fund
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	30,000	-
Charges for services	-	126,638	-	-	-
Miscellaneous	7	788	4	-	16
Total revenues	7	127,426	4	30,000	16
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	30,000	-
Airport operations	-	136,527	-	-	-
Culture and recreation	-	-	-	-	-
Conservation	-	-	303	-	-
Capital outlay	-	-	-	-	-
Total expenditures	-	136,527	303	30,000	-
Excess (deficiency) of revenues over (under) expenditures	7	(9,101)	(299)	-	16
OTHER FINANCING SOURCES (USES)					
Transfers in	-	17,073	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	17,073	-	-	-
Net change in fund balances	7	7,972	(299)	-	16
Fund balances (deficit), beginning	7,985	(22,359)	13,924	-	63,603
Fund balances (deficit), ending	\$ 7,992	\$ (14,387)	\$ 13,625	\$ -	\$ 63,619

Special Revenue Funds			Capital Project Funds			Total
Bald Mt TIF District	Recreation Revolving	Police Drug Forfeiture	Town Hall Improvements	Bridge	Permanent Fund	
\$ 51,088	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,088
-	130,000	1,109	-	2,934	-	164,043
-	56,038	-	-	-	-	182,676
-	9,001	5	71,638	-	16,832	98,291
51,088	195,039	1,114	71,638	2,934	16,832	496,098
18,000	-	-	-	-	-	18,000
-	-	1,073	-	-	-	31,073
-	-	-	-	-	-	136,527
-	17,223	-	-	-	-	17,223
-	-	-	-	-	-	303
-	162,980	-	30,163	4,567	-	197,710
18,000	180,203	1,073	30,163	4,567	-	400,836
33,088	14,836	41	41,475	(1,633)	16,832	95,262
-	-	-	-	30,000	-	47,073
-	-	-	-	-	(11,772)	(11,772)
-	-	-	-	30,000	(11,772)	35,301
33,088	14,836	41	41,475	28,367	5,060	130,563
111,262	90,303	9,270	341,223	146,685	589,299	1,351,195
\$ 144,350	\$ 105,139	\$ 9,311	\$ 382,698	\$ 175,052	\$ 594,359	\$ 1,481,758