

**TOWN OF NEWPORT,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016**

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**TABLE OF CONTENTS**

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

**BASIC FINANCIAL STATEMENTS**

<b>Government-wide Financial Statements</b>	
A Statement of Net Position .....	12
B Statement of Activities .....	13
<b>Fund Financial Statements</b>	
<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 Funds</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
<b>NOTES TO THE BASIC FINANCIAL STATEMENTS .....</b>	24 - 47

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**COMBINING AND INDIVIDUAL FUND SCHEDULES**

<b>Governmental Funds</b>	
<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 .....	54
5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	56



## **PLODZIK & SANDERSON**

*Professional Association/Accountants & Auditors*

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

### ***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 funds, and aggregate remaining fund information of the Town of Newport as of and for the year ended June 30, 2016, 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 of 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 also discussed in Note 1-B 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 on the governmental activities is not readily determinable.

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

***Adverse Opinion***

In our opinion, because of the significance 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, 2016, 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 funds and the aggregate remaining fund information of the Town of Newport as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***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 Town's Proportionate Share of Net Pension Liability, and the Schedule of 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 them 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.

September 15, 2017

*Plodzik & Sanderson*  
*Professional Association*

# **TOWN OF NEWPORT, NH**

## **Management's Discussion and Analysis Calendar Year Ended June 30, 2016**

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, 2016. Please read it in conjunction with the Town's financial statements, which begin on page 12.

### **FINANCIAL HIGHLIGHTS**

For the year ended June 30, 2016:

- The Town's total net position was \$6,331,678, an increase from the prior year of \$778,530 or 14.0%, which consisted of (\$1,630,405) for Governmental Activities and \$7,962,083 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 \$8,521,949, a decrease from the prior year of \$243,930, or 2.8%. Depreciation expense for 2016 was \$346,456.
- The total long-term obligations for the Town were \$9,054,265, an increase of \$276,694 from the prior year, or 3.2%.
- The unassigned fund balance of the General Fund was \$55,149, an increase of the prior year's (deficit) of \$120,530, or 184.4%.

### **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.

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,

# TOWN OF NEWPORT, NH

## Management's Discussion and Analysis Calendar Year Ended June 30, 2016

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 Position of this entity is as of December 31, 2015 and the Statement of Activities is for the period January 1, 2015 to December 31, 2015.

### *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.
- 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.

# TOWN OF NEWPORT, NH

## Management's Discussion and Analysis Calendar Year Ended June 30, 2016

### *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, 2016:

#### **Statement of Net Position**

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

	2016			2015 Total
	Governmental Activities	Business-Type Activities	Total	
Current Assets	\$ 11,000,206	\$ 2,843,104	\$ 13,843,310	\$ 13,385,672
Noncurrent Assets (net)	-	8,679,597	8,679,597	8,957,440
<b>Total Assets</b>	<b>11,000,206</b>	<b>11,522,701</b>	<b>22,522,907</b>	<b>22,343,112</b>
Deferred Outflows of Resources	437,849	46,034	483,883	295,275
Current Liabilities	4,500,138	118,392	4,618,530	4,825,888
Non-current Liabilities	5,617,689	3,436,576	9,054,265	8,777,571
<b>Total Liabilities</b>	<b>10,117,827</b>	<b>3,554,968</b>	<b>13,672,795</b>	<b>13,603,459</b>
Deferred Inflows of Resources	2,950,633	51,684	3,002,317	3,445,780
Investment in capital assets (net of related debt)	(466,669)	5,685,080	5,218,411	5,208,015
Restricted net position	1,176,939	-	1,176,939	1,169,255
Unrestricted net position	(2,340,675)	2,277,003	(63,672)	(824,122)
<b>Total Net Position</b>	<b>\$ (1,630,405)</b>	<b>\$ 7,962,083</b>	<b>\$ 6,331,678</b>	<b>\$ 5,553,148</b>

- 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

# TOWN OF NEWPORT, NH

## Management's Discussion and Analysis Calendar Year Ended June 30, 2016

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 special revenue, capital projects and 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.

	2016			2015 Total
	Governmental Activities	Business-Type Activities	Total	
Program Revenues				
Charges for service	\$959,752	\$1,765,160	\$2,724,912	\$2,813,977
Operating grants and contributions	333,034	7,500	340,534	297,639
General Revenues				
Taxes	5,155,813	-	5,155,813	5,017,572
Licenses and permits	1,115,936	-	1,115,936	1,034,177
Unrestricted grants and contributions	379,072	-	379,072	343,129
Miscellaneous	374,252	3,601	377,853	369,611
<b>Total Revenues</b>	<b>8,317,859</b>	<b>1,776,261</b>	<b>10,094,120</b>	<b>9,876,105</b>
Expenses				
General government	1,659,626	-	1,659,626	1,528,153
Public safety	2,982,435	-	2,982,435	3,222,027
Highways and Streets	1,713,066	-	1,713,066	1,726,781
Airport operations	134,632	-	134,632	136,527
Sanitation	1,909	-	1,909	1,601
Health	7,653	-	7,653	11,979
Welfare	138,022	-	138,022	145,240
Culture and recreation	679,759	-	679,759	833,265
Conservation	388	-	388	303
Interest on long-term debt	21,673	-	21,673	19,654
Water department	-	786,130	786,130	795,560
Sewer department	-	1,190,297	1,190,297	1,056,094
<b>Total Expenses</b>	<b>7,339,163</b>	<b>1,976,427</b>	<b>9,315,590</b>	<b>9,477,184</b>
<b>Change in Net Position</b>	<b>\$978,696</b>	<b>(\$200,166)</b>	<b>\$778,530</b>	<b>\$398,921</b>

# TOWN OF NEWPORT, NH

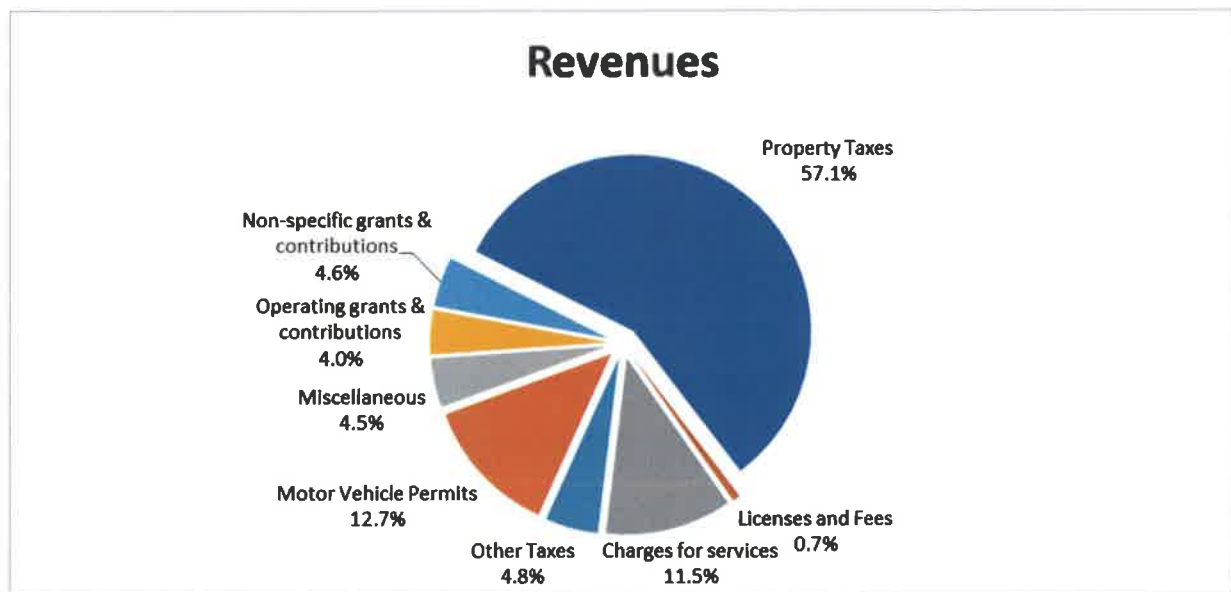
## Management's Discussion and Analysis Calendar Year Ended June 30, 2016

### Governmental Activities

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

Program revenues are targeted to directly offset expenses. For 2016, program revenues, Charges for services and Operating grants and contributions account for 15.5% of total revenues. Program revenues for 2015 accounted for 14.5% of total revenues.

Revenues not specifically targeted for an activity are known as general revenues. Property taxes make up 67.7% of the Town's general revenues and 57.1% of total revenues. Licenses and permits, mainly auto registrations, account for 15.9% of general revenues and 13.4% of total revenues. Detail of the total revenues is as follows:

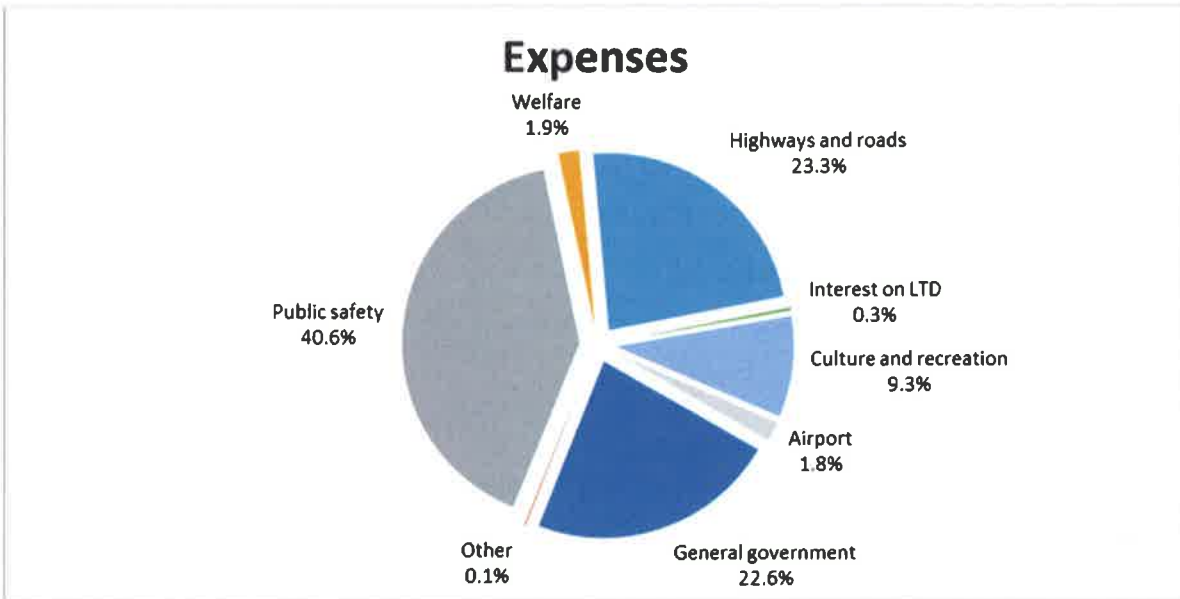


- Expenses: Expenses are classified by major governmental function or program and are offset by related program income. No depreciation has been recorded for 2015 or 2016.

The largest expenses were for General government, which accounts for 22.6% of total expenses; Public safety, 40.6%; and Highways and roads, 23.3%, and Culture and recreation, 9.3%.

## TOWN OF NEWPORT, NH

### Management's Discussion and Analysis Calendar Year Ended June 30, 2016



#### Business-Type Activities

##### ➤ Revenues:

Program revenues for the Business-Type Activities, accounting for 99.4% of Total revenues, are Charges for Service for the Water and Sewer utilities. For 2015, Charges for Service accounted for 99.6% 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 2016 and 2015, the breakdown of the expenses is 39.2% and 42.9%, Water department and 60.8% and 57.1%, 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

## **TOWN OF NEWPORT, NH**

### **Management's Discussion and Analysis Calendar Year Ended June 30, 2016**

measure of a government's net resources available at year end. The Town's General Fund is its largest Governmental Fund.

During the fiscal year, the Town recognized \$7,693,812 in revenues and other financing sources in the General Fund, which is an increase of 3.5% from the prior year. The Town incurred \$7,010,870 in General Fund expenditures and other financing uses during the year, which represents an decrease of 4.7% from the prior year.

The Town finished the fiscal year with General Fund fund balance in the amount of \$1,868,275, an increase from the prior year of 57.6%. The current year Net change in fund balance is \$682,942. Of the total fund balance, \$278,692 is Nonspendable, \$124,030 Committed, and \$1,410,404 Assigned, leaving an Unassigned balance \$55,149.

- 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 (\$200,166) or 2.3% of the prior year balance. Depreciation expense for 2016 was \$346,456.

### **BUDGETARY HIGHLIGHTS**

The Town budget as approved at Town Meeting for the year ending June 30, 2016 was \$9,531,021. Of that total, \$40,800 was special warrant articles for various projects and special items and the balance of \$9,490,221 represented the Town's operating budget.

Of the total budget, the General Fund accounted for \$7,520,828, \$766,435 for the Water Fund, \$1,088,277 for the Sewer Fund, and \$155,481 for the Airport Fund. In the General Fund, actual expenditures including encumbered amounts were \$122,691 less than the budgeted amount as of June 30, 2016.

### **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 \$8,521,949. Details of Capital Assets and the changes in Capital Assets are found in the Notes to the Financial Statements. A summary of the Capital Assets and changes thereof follows:

## TOWN OF NEWPORT, NH

### Management's Discussion and Analysis Calendar Year Ended June 30, 2016

	2016	2015	Change
Land	\$442,421	\$442,421	\$0
Construction in progress	2,736,610	2,689,233	47,377
Buildings and improvements	2,127,747	2,286,585	(158,838)
Machinery, vehicles and equipment	231,430	234,175	(2,745)
Infrastructure	<u>2,983,741</u>	<u>3,113,465</u>	<u>(129,724)</u>
Total	<u>\$8,521,949</u>	<u>\$8,765,879</u>	<u>(\$243,930)</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, accrued compensated absences, and net pension liability. 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:

	2016	2015	Change
Governmental Activities			
Bonds and notes	\$380,824	\$448,216	(\$67,392)
Leases	85,845	122,492	(36,647)
Compensated absences	308,668	286,112	22,556
Net Pension Liability	4,842,352	4,385,669	456,683
Business-Type Activities			
Bonds and notes	2,836,869	2,987,156	(150,287)
Compensated absences	90,598	86,852	3,746
Net Pension Liability	<u>509,109</u>	<u>461,074</u>	<u>48,035</u>
Total	<u>\$9,054,265</u>	<u>\$8,777,571</u>	<u>\$276,694</u>

### ECONOMIC FACTORS AND THE 2017 BUDGET

New Hampshire Department of Employment Security and the United States Department of Labor reported the following unemployment rates for June 2015 and June 2016:

	<u>2015</u>	<u>2016</u>
Newport	2.7%	2.4%
Sullivan County	2.8%	2.4%
State of New Hampshire	3.4%	2.9%
United States	5.3%	4.9%

The Northeast Regional Consumer Price Index (CPI) increased 0.7% from June 2015 to June 2016. The National CPI for the same period increased 1.0%.

# TOWN OF NEWPORT, NH

## Management's Discussion and Analysis Calendar Year Ended June 30, 2016

At the 2016 Town Meeting, the legislative body approved total appropriations for the 2016-17 fiscal year in the amount of \$13,108,956. The appropriations break down as follows:

	Operating Article	Special Articles	TOTAL
<b>Governmental Type Funds:</b>			
General Fund	\$7,331,709	\$1,299,420	\$8,631,129
Special Revenue Funds	223,555		223,555
<b>Business-Type Activities:</b>			
Water Fund	887,159	1,233,400	2,120,559
Sewer Fund	1,073,613	1,060,100	2,133,713
<b>TOTAL</b>	<u>\$9,516,036</u>	<u>\$3,592,920</u>	<u>\$13,108,956</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, 2016**

	Governmental Activities	Business-type Activities	Total	Component Unit Richards Free Library
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 5,665,759	\$ 1,854,909	\$ 7,520,668	\$ 152,991
Investments	787,501	179,068	966,569	1,211,715
Taxes receivables (net)	3,221,082	-	3,221,082	-
Account receivables (net)	345,065	814,778	1,159,843	-
Intergovernmental receivable	245,529	-	245,529	-
Internal balances	484,931	(484,931)	-	-
Inventory	6,148	-	6,148	-
Prepaid items	95,118	-	95,118	-
Tax deeded property, subject to resale	149,073	-	149,073	-
Restricted assets:				
Cash and cash equivalents	-	479,280	479,280	-
Noncurrent assets:				
Intergovernmental receivable	-	157,648	157,648	-
Capital assets:				
Land and construction in progress	-	489,798	489,798	-
Other capital assets, net of depreciation	-	8,032,151	8,032,151	912,275
Total assets	<u>11,000,206</u>	<u>11,522,701</u>	<u>22,522,907</u>	<u>2,276,981</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Amounts related to pensions	<u>437,849</u>	<u>46,034</u>	<u>483,883</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	360,333	-	360,333	-
Accrued salaries and benefits	168,913	-	168,913	-
Retainage payable	-	110,867	110,867	-
Accrued interest payable	15,183	7,525	22,708	-
Intergovernmental payable	3,845,347	-	3,845,347	-
Other payable	110,362	-	110,362	-
Noncurrent liabilities:				
Due within one year	120,952	106,547	227,499	-
Due in more than one year	<u>5,496,737</u>	<u>3,330,029</u>	<u>8,826,766</u>	<u>-</u>
Total liabilities	<u>10,117,827</u>	<u>3,554,968</u>	<u>13,672,795</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - Property taxes	2,443,545	-	2,443,545	-
Unavailable revenue - Other	15,500	-	15,500	-
Amounts related to pensions	<u>491,588</u>	<u>51,684</u>	<u>543,272</u>	<u>-</u>
Total deferred inflows of resources	<u>2,950,633</u>	<u>51,684</u>	<u>3,002,317</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	(466,669)	5,685,080	5,218,411	912,275
Restricted	1,176,939	-	1,176,939	1,364,706
Unrestricted	<u>(2,340,675)</u>	<u>2,277,003</u>	<u>(63,672)</u>	<u>-</u>
Total net position	<u>\$ (1,630,405)</u>	<u>\$ 7,962,083</u>	<u>\$ 6,331,678</u>	<u>\$ 2,276,981</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, 2016**

	Program Revenues		Net (Expense) Revenue and Change in Net Position		Total	Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities:</b>						
General government	\$ 1,659,626	\$ 11,149	\$ -	\$ (1,648,477)	\$ -	\$ (1,648,477)
Public safety	2,982,435	648,024	-	(2,334,411)	-	(2,334,411)
Highways and streets	1,713,066	-	332,620	(1,380,446)	-	(1,380,446)
Airport operations	134,632	126,980	414	(7,238)	-	(7,238)
Sanitation	1,909	47,816	-	45,907	-	45,907
Health	7,653	-	-	(7,653)	-	(7,653)
Welfare	138,022	-	-	(138,022)	-	(138,022)
Culture and recreation	679,759	125,783	-	(553,976)	-	(553,976)
Conservation	388	-	-	(388)	-	(388)
Interest on long-term debt	21,673	-	-	(21,673)	-	(21,673)
Total governmental activities	7,339,163	959,752	333,034	(6,046,377)	-	(6,046,377)
<b>Business-type activities:</b>						
Water department	786,130	821,576	4,182	-	39,628	39,628
Sewer department	1,190,297	943,584	3,318	-	(243,395)	(243,395)
Total business-type activities	1,976,427	1,765,160	7,500	-	(203,767)	(203,767)
Total	\$ 9,315,590	\$ 2,724,912	\$ 340,534	(6,046,377)	(203,767)	(6,250,144)
<b>Component unit:</b>						
Richards Free Library	\$ 672,981	\$ 185,288	\$ -	-	-	(487,693)
General revenues:						
Taxes:						
Property				4,753,319	-	4,753,319
Other				402,494	-	402,494
Motor vehicle permit fees				1,058,544	-	1,058,544
Licenses and other fees				57,392	-	57,392
Grants and contributions not restricted to specific programs				379,072	-	379,072
Miscellaneous				374,252	3,601	377,853
Total general revenues				7,025,073	3,601	7,028,674
Change in net position				978,696	(200,166)	778,530
Net position, beginning				(2,609,101)	8,162,249	5,553,148
Net position, ending				\$ (1,630,405)	\$ 7,962,083	\$ 6,331,678

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, 2016**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,443,123	\$ 1,222,636	\$ 5,665,759
Investments	192,399	595,102	787,501
Accounts receivable (net)	297,125	47,940	345,065
Taxes receivable	3,328,153	-	3,328,153
Intergovernmental receivable	121,198	124,331	245,529
Interfund receivable	876,779	17,073	893,852
Inventory	-	6,148	6,148
Prepaid items	129,619	-	129,619
Tax deeded property, subject to resale	149,073	-	149,073
Total assets	<u>\$ 9,537,469</u>	<u>\$ 2,013,230</u>	<u>\$ 11,550,699</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 356,028	\$ 4,305	\$ 360,333
Accrued salaries and benefits	168,913	-	168,913
Intergovernmental payable	3,845,347	-	3,845,347
Interfund payable	17,073	391,848	408,921
Other payable	110,351	11	110,362
Total liabilities	<u>4,497,712</u>	<u>396,164</u>	<u>4,893,876</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - Property taxes	3,165,276	-	3,165,276
Unavailable revenue - Other	6,206	15,500	21,706
Total deferred inflows of resources	<u>3,171,482</u>	<u>15,500</u>	<u>3,186,982</u>
<b>FUND BALANCES (DEFICIT)</b>			
Nonspendable	278,692	600,507	879,199
Restricted	-	576,432	576,432
Committed	124,030	369,446	493,476
Assigned	1,410,404	71,831	1,482,235
Unassigned (deficit)	55,149	(16,650)	38,499
Total fund balances	<u>1,868,275</u>	<u>1,601,566</u>	<u>3,469,841</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,537,469</u>	<u>\$ 2,013,230</u>	<u>\$ 11,550,699</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, 2016**

Total fund balances of governmental funds (Exhibit C-1)		\$ 3,469,841
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (408,921)	
Payables	<u>408,921</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	\$ 437,849	
Deferred inflows of resources related to pensions	<u>(491,588)</u>	(53,739)
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds.		727,937
Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual.		(107,071)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(15,183)
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	\$ 380,824	
Capital leases	85,845	
Compensated absences	308,668	
Net pension liability	<u>4,842,352</u>	(5,617,689)
Net position of governmental activities (Exhibit A)		<u><u>\$ (1,630,405)</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, 2016**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 5,159,973	\$ 47,232	\$ 5,207,205
Licenses and permits	1,115,936	-	1,115,936
Intergovernmental	488,842	223,264	712,106
Charges for services	680,811	278,941	959,752
Miscellaneous	236,741	137,511	374,252
Total revenues	<u>7,682,303</u>	<u>686,948</u>	<u>8,369,251</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,616,690	35,802	1,652,492
Public safety	2,882,669	142,374	3,025,043
Highways and streets	1,224,901	-	1,224,901
Airport operations	-	124,002	124,002
Sanitation	1,909	-	1,909
Health	7,653	-	7,653
Welfare	138,784	-	138,784
Culture and recreation	663,766	-	663,766
Conservation	-	388	388
Debt service:			
Principal	67,392	-	67,392
Interest	18,374	-	18,374
Other	42,835	-	42,835
Capital outlay	345,317	253,645	598,962
Total expenditures	<u>7,010,290</u>	<u>556,211</u>	<u>7,566,501</u>
Excess of revenues over expenditures	<u>672,013</u>	<u>130,737</u>	<u>802,750</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	11,509	580	12,089
Transfers out	(580)	(11,509)	(12,089)
Total other financing sources (uses)	<u>10,929</u>	<u>(10,929)</u>	<u>-</u>
Net change in fund balances	682,942	119,808	802,750
Fund balances, beginning	1,185,333	1,481,758	2,667,091
Fund balances, ending	<u>\$ 1,868,275</u>	<u>\$ 1,601,566</u>	<u>\$ 3,469,841</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, 2016*

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 802,750
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	\$ (12,089)	
Transfers out	<u>12,089</u>	
		-
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	\$ (81,071)	
Change in allowance for uncollectible property taxes	<u>29,679</u>	
		(51,392)
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.		
Repayment of bond principal	\$ 67,392	
Repayment of capital leases	<u>36,647</u>	
		104,039
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	\$ 2,889	
Increase in compensated absences payable	(22,556)	
Changes in balances related to GASB Statement No. 68	<u>142,966</u>	
		<u>123,299</u>
Changes in net position of governmental activities (Exhibit B)		<u>\$ 978,696</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, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 4,994,867	\$ 4,994,867	\$ 5,108,581	\$ 113,714
Licenses and permits	962,500	962,500	1,115,936	153,436
Intergovernmental	484,753	484,753	488,842	4,089
Charges for services	729,128	729,128	680,811	(48,317)
Miscellaneous	305,780	305,780	216,133	(89,647)
Total revenues	<u>7,477,028</u>	<u>7,477,028</u>	<u>7,610,303</u>	<u>133,275</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,609,221	1,608,997	1,770,446	(161,449)
Public safety	2,991,574	2,986,798	2,936,982	49,816
Highways and streets	1,356,190	1,356,190	1,336,662	19,528
Sanitation	2,400	2,400	2,243	157
Health	12,839	12,839	12,343	496
Welfare	183,443	183,443	138,784	44,659
Culture and recreation	678,073	678,073	664,916	13,157
Debt service:				
Principal	93,283	93,283	67,392	25,891
Interest	18,484	18,484	18,374	110
Other	99,570	99,570	42,835	56,735
Capital outlay	458,693	458,693	384,522	74,171
Total expenditures	<u>7,503,770</u>	<u>7,498,770</u>	<u>7,375,499</u>	<u>123,271</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,742)</u>	<u>(21,742)</u>	<u>234,804</u>	<u>256,546</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	12,000	12,000	11,509	(491)
Transfers out	(17,058)	(22,058)	(22,638)	(580)
Total other financing sources (uses)	<u>(5,058)</u>	<u>(10,058)</u>	<u>(11,129)</u>	<u>(1,071)</u>
Net change in fund balances	<u>\$ (31,800)</u>	<u>\$ (31,800)</u>	<u>223,675</u>	<u>\$ 255,475</u>
Increase in nonspendable fund balance			(154,537)	
Unassigned fund balance, beginning			600,671	
Unassigned fund balance, ending			<u>\$ 669,809</u>	

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

**EXHIBIT E-1**  
**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2016**

	Business-type Activities Enterprise Funds		
	Water Department	Sewer Department	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 384,996	\$ 1,469,913	\$ 1,854,909
Investments	58,582	120,486	179,068
Accounts receivable	378,706	436,072	814,778
Interfund receivable	60,809	-	60,809
Restricted assets:			
Cash and cash equivalents	165,678	313,602	479,280
Total current assets	1,048,771	2,340,073	3,388,844
Noncurrent assets:			
Intergovernmental receivable	65,172	92,476	157,648
Capital assets:			
Land and construction in progress	52,887	436,911	489,798
Other capital assets, net of depreciation	2,075,092	5,957,059	8,032,151
Total noncurrent assets	2,193,151	6,486,446	8,679,597
Total assets	3,241,922	8,826,519	12,068,441
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Amounts related to pensions	25,267	20,767	46,034
<b>LIABILITIES</b>			
Current liabilities:			
Retainage payable	-	110,867	110,867
Accrued interest payable	5,202	2,323	7,525
Interfund payable	152,686	393,054	545,740
Noncurrent liabilities:			
Due within one year	53,295	53,252	106,547
Due in more than one year	425,707	2,904,322	3,330,029
Total liabilities	636,890	3,463,818	4,100,708
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Amounts related to pensions	28,368	23,316	51,684
<b>NET POSITION</b>			
Net investment in capital assets	1,974,531	3,710,549	5,685,080
Unrestricted	627,400	1,649,603	2,277,003
Total net position	\$ 2,601,931	\$ 5,360,152	\$ 7,962,083

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

**EXHIBIT E-2**  
**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**Proprietary Funds**  
**Statement of Revenues, Expenses, and Change in Net Position**  
**For the Fiscal Year Ended June 30, 2016**

	Business-type Activities Enterprise Funds		
	Water Department	Sewer Department	Total
Operating revenues:			
User charges	\$ 801,983	\$ 916,731	\$ 1,718,714
Miscellaneous	19,593	26,853	46,446
Total operating revenues	<u>821,576</u>	<u>943,584</u>	<u>1,765,160</u>
Operating expenses:			
Salaries and wages	455,566	381,217	836,783
Operation and maintenance	204,012	575,659	779,671
Depreciation and amortization	117,097	229,359	346,456
Total operating expenses	<u>776,675</u>	<u>1,186,235</u>	<u>1,962,910</u>
Operating gain (loss)	<u>44,901</u>	<u>(242,651)</u>	<u>(197,750)</u>
Nonoperating revenue (expense):			
Interest income	761	2,840	3,601
Interest expense	(9,455)	(4,062)	(13,517)
Intergovernmental	4,182	3,318	7,500
Total net nonoperating revenue (expenses)	<u>(4,512)</u>	<u>2,096</u>	<u>(2,416)</u>
Change in net position	40,389	(240,555)	(200,166)
Net position, beginning	<u>2,561,542</u>	<u>5,600,707</u>	<u>8,162,249</u>
Net position, ending	<u>\$ 2,601,931</u>	<u>\$ 5,360,152</u>	<u>\$ 7,962,083</u>

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

**EXHIBIT E-3**  
**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2016**

	Business-type Activities Enterprise Funds		
	Water Department	Sewer Department	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 845,624	\$ 948,507	\$ 1,794,131
Payments to employees	(462,683)	(385,360)	(848,043)
Payments to suppliers	(270,635)	(506,996)	(777,631)
Net cash provided by operating activities	<u>112,306</u>	<u>56,151</u>	<u>168,457</u>
Cash flows from capital and related financing activities:			
Principal paid on bonds	(66,552)	(83,736)	(150,288)
Acquisition and construction of fixed assets	(25,888)	(76,638)	(102,526)
Interest paid	(11,067)	(5,394)	(16,461)
Investment in capital reserve funds	-	(60,000)	(60,000)
Net cash used by capital and related financing activities	<u>(103,507)</u>	<u>(225,768)</u>	<u>(329,275)</u>
Cash flows from non-capital financing activities:			
State aid - water filtration grant	<u>17,939</u>	<u>26,369</u>	<u>44,308</u>
Cash flows from investing activities:			
Interest received	<u>557</u>	<u>2,533</u>	<u>3,090</u>
Net increase (decrease) in cash	27,295	(140,715)	(113,420)
Cash, beginning	523,379	1,924,230	2,447,609
Cash, ending	<u>\$ 550,674</u>	<u>\$ 1,783,515</u>	<u>\$ 2,334,189</u>

**Reconciliation of Operating Gain (loss) to Net Cash Provided by Operating Activities**

Operating gain (loss)	\$ 44,901	\$ (242,651)	\$ (197,750)
Adjustments to reconcile operating gain to net cash provided by operating activities:			
Depreciation expense	117,097	229,359	346,456
Decrease in accounts receivables	24,048	4,923	28,971
Increase in retainage payable	-	60	60
Increase in compensated absences payable	1,123	2,624	3,747
Changes in deferred outflows, deferred inflows, and net pension liability associated with GASB Statement No. 68	(8,240)	(6,767)	(15,007)
Increase in interfund receivables	(23,340)	-	(23,340)
Decrease in interfund payables	(43,283)	68,603	25,320
Total adjustments	<u>67,405</u>	<u>298,802</u>	<u>366,207</u>
Net cash provided by operating activities	<u>\$ 112,306</u>	<u>\$ 56,151</u>	<u>\$ 168,457</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, 2016*

	Private Purpose Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ 370,622	\$ -
Investments	22,527	473,023
Total assets	393,149	473,023
<b>LIABILITIES</b>		
Intergovernmental payable	-	473,023
<b>NET POSITION</b>		
Held in trust for specific purposes	\$ 393,149	\$ -

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, 2016**

	Private Purpose Trust
<b>ADDITIONS</b>	
New funds	\$ 2,000
Interest	1,177
Total revenue	<u>3,177</u>
<b>DEDUCTIONS</b>	
Scholarships	<u>10,296</u>
Change in net position	(7,119)
Net position, beginning	400,268
Net position, ending	<u><u>\$ 393,149</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, 2016**

	<b><u>NOTE</u></b>
<b>Summary of Significant Accounting Policies .....</b>	<b>1</b>
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
Investments.....	1-F
Receivables.....	1-G
Property Taxes.....	1-H
Interfund Activities.....	1-I
Inventory.....	1-J
Prepaid Items.....	1-K
Capital Assets .....	1-L
Restricted Assets.....	1-M
Deferred Outflows/Inflows of Resources .....	1-N
Long-term Obligations .....	1-O
Compensated Absences .....	1-P
Defined Benefit Pension Plan.....	1-Q
Net Position/Fund Balances.....	1-R
 <b>Stewardship, Compliance, and Accountability.....</b>	 <b>2</b>
Budgetary Information.....	2-A
Budgetary Reconciliation to GAAP Basis .....	2-B
Deficit Fund Balance .....	2-C

***DETAILED NOTES ON ALL FUNDS***

<b>Cash and Cash Equivalents .....</b>	<b>3</b>
<b>Investments .....</b>	<b>4</b>
<b>Taxes Receivable .....</b>	<b>5</b>
<b>Other Receivables.....</b>	<b>6</b>
<b>Interfund Balances and Transfers .....</b>	<b>7</b>
<b>Prepaid Items.....</b>	<b>8</b>
<b>Capital Assets.....</b>	<b>9</b>
<b>Restricted Assets.....</b>	<b>10</b>
<b>Deferred Outflows/Inflows of Resources .....</b>	<b>11</b>
<b>Intergovernmental Payables.....</b>	<b>12</b>
<b>Capital Leases .....</b>	<b>13</b>
<b>Long-term Liabilities .....</b>	<b>14</b>
<b>Defined Benefit Pension Plan .....</b>	<b>15</b>
<b>Other Postemployment Benefits (OPEB) .....</b>	<b>16</b>
<b>Encumbrances .....</b>	<b>17</b>
<b>State Aid to Water Pollution Projects.....</b>	<b>18</b>
<b>Net Position .....</b>	<b>19</b>

***TOWN OF NEWPORT, NEW HAMPSHIRE***  
***NOTES TO THE BASIC FINANCIAL STATEMENTS***  
***AS OF AND FOR THE FISCAL YEAR ENDED***  
***JUNE 30, 2016***

<b>Governmental Fund Balances .....</b>	<b>20</b>
<b>Risk Management.....</b>	<b>21</b>
<b>Related Party Transactions .....</b>	<b>22</b>
<b>Contingent Liabilities .....</b>	<b>23</b>
<b>Subsequent Events.....</b>	<b>24</b>

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**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, 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, 2015.

***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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 Fee 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 and levies taxes (if necessary). 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, 2016**

***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 inflows/outflows, 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:

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

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

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

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 Fund** – accounts for money left for the benefit of students.

**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 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, 2016**

**1-G 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-H 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 26, 2015 and November 6, 2015, and due on July 7, 2015 and December 14, 2015. 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, 2015 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 409,777,942
For all other taxes	\$ 425,328,942

The tax rates and amounts assessed for the year ended June 30, 2016 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$11.55	\$ 4,911,986
School portion:		
State of New Hampshire	\$2.41	985,538
Local	\$12.67	5,390,909
County portion	\$2.62	1,114,961
Total	<u>\$29.25</u>	<u>\$ 12,403,394</u>

**1-I 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-type 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.

**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-J 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.

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

***1-K 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-L 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 activities 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>
<b>Capital Asset Classes:</b>	
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-M 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-N 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) 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.

***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 fund net position.

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

***1-P 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 benefits will result in termination payments. The liability is based on the Town's experience of making termination payments.

***1-Q 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.

***1-R Net Position/Fund Balances***

***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.

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**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 policy 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.

**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 2016, \$31,800 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)	\$ 7,621,812
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record revenue of the blended funds	20,608
Change in unavailable tax revenue relating to 60-day revenue recognition	81,071
Change in reserve for uncollectible property taxes, not reported on GAAP basis	(29,679)
Per Exhibit C-3 (GAAP basis)	<u>\$ 7,693,812</u>
	(continued)

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

*Budgetary reconciliation to GAAP basis continued:*

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 7,398,137
Adjustment:	
Basis differences:	
Encumbrances, beginning	980,506
Encumbrances, ending	(1,362,773)
GASB Statement No. 54:	
To eliminate transfers between blended funds	(5,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 7,010,870</u>

**2-C Deficit Fund Balance**

The airport special revenue fund had a total deficit fund balance of \$10,502 at June 30, 2016. This deficit will be financed through the recognition of deferred inflows of resources (hangar lease payments) in subsequent fiscal years.

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

At June 30, 2016, the reported amount of the Town's deposits was \$8,370,570 and the bank balance was \$8,013,428. Of the bank balance \$5,941,726 was covered by federal depository insurance or by collateral held by the Town's agent in the Town's name, and \$2,055,721 was uninsured and uncollateralized, and \$15,981 held in short-term investments.

Cash per Statement of Net Position (Exhibit A)	\$ 7,999,948
Cash per Statement of Net Position - Fiduciary Fund (Exhibit F-1)	370,622
Total cash and cash equivalents	<u>\$ 8,370,570</u>

**NOTE 4 – INVESTMENTS**

Note 1-F 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.

At June 30, 2016, the Town had the following investments and maturities:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Certificates of deposit	\$ 129,030	\$ 179,068	\$ 473,023	\$ 781,121
Common stock	3,343	-	-	3,343
Corporate bonds	119,343	-	-	119,343
Equity mutual fund	159,032	-	-	159,032
Fixed income mutual fund	-	-	22,527	22,527
Municipal bonds	173,109	-	-	173,109
New Hampshire Public Deposit Investment Pool	63,369	-	-	63,369
U.S. Government agency bonds	79,589	-	-	79,589
U.S. Treasury bonds	60,686	-	-	60,686
	<u>\$ 787,501</u>	<u>\$ 179,068</u>	<u>\$ 495,550</u>	<u>\$ 1,462,119</u>

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

At June 30, 2016, the 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	\$ -	\$ 391,711	\$ 389,410	\$ -	\$ 781,121
Common stock	3,343	-	-	-	3,343
Corporate bonds	-	-	28,559	90,784	119,343
Equity mutual fund	159,032	-	-	-	159,032
Fixed income mutual fund	22,527	-	-	-	22,527
Municipal bonds	-	30,515	78,123	64,471	173,109
New Hampshire Public Deposit Investment Pool	63,369	-	-	-	63,369
U.S. Government agency bonds	-	35,051	40,678	3,860	79,589
U.S. Treasury bonds	-	-	30,349	30,337	60,686
Total fair value	<u>\$ 248,271</u>	<u>\$ 457,277</u>	<u>\$ 567,119</u>	<u>\$ 189,452</u>	<u>\$ 1,462,119</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 investments 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, 2016:

Investment Type	Credit Rating*	Fair Value	Percent of Grand Total
Corporate bonds	Aa	\$ 28,559	6.60%
Corporate bonds	A	32,052	7.41%
Corporate bonds	Baa	58,732	13.57%
		<u>119,343</u>	<u>27.58%</u>
Municipal bonds	Aa	142,594	32.95%
Municipal bonds	NR	30,515	7.05%
		<u>173,109</u>	<u>40.00%</u>
U.S. Government agency bonds	Aaa	71,991	16.64%
U.S. Government agency bonds	NR	7,598	1.76%
		<u>79,589</u>	<u>18.39%</u>
U.S. Treasury bonds		60,686	14.02%
Total		<u>\$ 432,727</u>	<u>100.00%</u>

\*Per Moody's

**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)	\$ 966,569
Investments per Statement of Net Position - Fiduciary Funds (Exhibit F-1)	495,550
Total investments	<u>\$ 1,462,119</u>

**Richards Free Library Discretely Presented Component Unit** - At June 30, 2016 the Town's discretely presented component unit's entire investment balance of \$1,211,715 was invested in equity exchange traded funds.

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**NOTE 5 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2016. The amount has been reduced by an allowance for an estimated uncollectible amount of \$107,071.

Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2016	\$ 2,569,000	\$ 2,569,000
Unredeemed (under tax lien):		
Levy of 2015	354,037	354,037
Levy of 2014	279,447	279,447
Levies of 2013 and prior	112,837	112,837
Yield	7,952	7,952
Land use change	4,880	4,880
Less: allowance for estimated uncollectible taxes	(107,071) *	-
Net taxes receivable	<u>\$ 3,221,082</u>	<u>\$ 3,328,153</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 6 – OTHER RECEIVABLES**

Receivables at June 30, 2016, 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.

Receivables as of June 30, 2016 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	\$ 478,399	\$ 47,940	\$ 526,339	\$ 378,706	\$ 436,072	\$ 814,778
Intergovernmental	121,198	124,331	245,529	65,172	92,476	157,648
Gross receivables	599,597	172,271	771,868	443,878	528,548	972,426
Less: allowance for uncollectibles	(181,274)	-	(181,274)	-	-	-
Net total receivables	<u>\$ 418,323</u>	<u>\$ 172,271</u>	<u>\$ 590,594</u>	<u>\$ 443,878</u>	<u>\$ 528,548</u>	<u>\$ 972,426</u>

**NOTE 7 – INTERFUND BALANCES AND TRANSFERS**

**Interfund Balances** - The composition of interfund balances as of June 30, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
<b>Governmental funds:</b>		
General	Water	\$ 152,686
	Sewer	332,245
	Nonmajor governmental	391,848
Nonmajor	General	17,073
		<u>893,852</u>
<b>Business-type activities:</b>		
Water	Sewer	60,809
		<u>\$ 954,661</u>

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

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, 2016 is as follows:

	Transfers In:		
	General Fund	Nonmajor Fund	Total
Transfers out:			
General fund	\$ -	\$ 580	\$ 580
Nonmajor fund	11,509	-	11,509
Total	<u>\$ 11,509</u>	<u>\$ 580</u>	<u>\$ 12,089</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 8 – PREPAID ITEMS**

Prepaid items at June 30, 2016 consisted of the following:

	Exhibit A	Exhibit C-1
Insurance	\$ 39,550	\$ 39,550
Lease prepayments	-	34,501 *
Dues and fees	4,815	4,815
Postage	470	470
Miscellaneous	50,283	50,283
Total	<u>\$ 95,118</u>	<u>\$ 129,619</u>

\*This amount was not recorded on the government-wide Statement of Net Position, as it has been applied against the capital lease payable at year end as noted in Note 13.

**NOTE 9 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 consisted of the following:

	Balance, beginning	Additions	Disposals	Balance, ending
<b>Business-type activities:</b>				
At cost:				
Not being depreciated:				
Land	\$ 442,421	\$ -	\$ -	\$ 442,421
Construction in progress	2,689,233	47,377	(2,689,233)	47,377
Total capital assets not being depreciated	<u>3,131,654</u>	<u>47,377</u>	<u>(2,689,233)</u>	<u>489,798</u>
Being depreciated:				
Buildings and building improvements	6,333,419	2,689,233	-	9,022,652
Machinery and equipment	1,669,243	55,149	-	1,724,392
Other improvements	4,953,720	-	-	4,953,720
Total capital assets being depreciated	<u>12,956,382</u>	<u>2,744,382</u>	<u>-</u>	<u>15,700,764</u>
Total all capital assets	<u>16,088,036</u>	<u>2,791,759</u>	<u>(2,689,233)</u>	<u>16,190,562</u>

(Continued)

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

*Capital assets continued:*

	Balance, beginning	Additions	Disposals	Balance, ending
Less accumulated depreciation:				
Buildings and building improvements	(4,046,834)	(158,838)	-	(4,205,672)
Machinery and equipment	(1,435,068)	(57,894)	-	(1,492,962)
Other improvements	(1,840,255)	(129,724)	-	(1,969,979)
Total accumulated depreciation	(7,322,157)	(346,456)	-	(7,668,613)
Net book value, capital assets being depreciated	5,634,225	2,397,926	-	8,032,151
Net book value, all business-type activities capital assets	<u>\$ 8,765,879</u>	<u>\$ 2,445,303</u>	<u>\$ (2,689,233)</u>	<u>\$ 8,521,949</u>

**Discretely presented component unit:**

At cost:				
Being depreciated:				
Buildings and building improvements	\$ 1,116,475	\$ -	\$ -	\$ 1,116,475
Less accumulated depreciation:				
Buildings and building improvements	(175,647)	(28,553)	-	(204,200)
Net book value, all discretely presented component unit capital assets	<u>\$ 940,828</u>	<u>\$ (28,553)</u>	<u>\$ -</u>	<u>\$ 912,275</u>

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:

<b>Business-type activities:</b>	
Water	\$ 117,097
Sewer	229,359
	<u>346,456</u>
<b>Discretely presented component unit:</b>	
Library	28,553
Total depreciation expense	<u>\$ 375,009</u>

**NOTE 10 – RESTRICTED ASSETS**

Restricted cash and cash equivalents at June 30, 2016 consisted of the following:

Water department:	
Water hookup fees	<u>\$ 165,678</u>
Sewer department:	
Sewer hookup fees	202,735
Sewer retainage	110,867
Total sewer department	<u>313,602</u>
Total restricted cash and cash equivalents	<u>\$ 479,280</u>

**NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources of \$437,849 in the governmental activities and \$46,034 (\$25,267 for the Water Department and \$20,767 for the Sewer Department) in the business-type activities at June 30, 2016 consists of amounts related to pensions, see Note 15.

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

Deferred inflows of resources reported in the governmental funds as unavailable revenue are as follows:

	Governmental Activities	General Fund	Nonmajor Governmental Funds	Proprietary Funds	
				Water Department	Sewer Department
Property taxes levied prior to their due date	\$ 2,443,545	\$ 2,443,545	\$ -	\$ -	\$ -
Property tax receivables not collected within 60 days of the end of the year*	-	721,731	-	-	-
Grant revenue collected in advance of eligible expenditures*	-	6,206	-	-	-
Airport hangar leases	15,500	-	15,500	-	-
Amounts related to pensions, see Note 15	491,588	-	-	28,368	23,316
Total deferred inflows of resources	<u>\$ 2,950,633</u>	<u>\$ 3,171,482</u>	<u>\$ 15,500</u>	<u>\$ 28,368</u>	<u>\$ 23,316</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 12 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments of \$4,318,370 at June 30, 2016 consist of the following:

General fund:

Property taxes levied prior to their due date and payable to:

Sullivan County	\$ 624,906
Newport School District	3,150,780
New Hampshire Retirement System	68,205
Miscellaneous fees due to the State of New Hampshire and US Treasury	1,456
Total general fund	<u>3,845,347</u>

Agency fund:

Trust funds held by the Town's Trustees of Trust Funds  
on behalf of the Newport School District

473,023

Total intergovernmental payables due

\$ 4,318,370

**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.

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2016
Capital lease obligations:		
Sidewalk plow	4.50%	\$ 67,885
Police cruiser	6.00%	17,960
Total capital lease obligations		<u>\$ 85,845</u>

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

The annual requirements to amortize the capital leases payable as of June 30, 2016, including interest payments, are as follows:

For Fiscal Year Ending June 30,	Principal	Interest	Total
	\$ - *	\$ - *	\$ - *
2017	\$ -	\$ -	\$ -
2018	30,369	4,133	34,502
2019	12,967	2,496	15,463
2020	13,551	1,913	15,464
2021	14,161	1,303	15,464
2022	14,797	666	15,463
	<u>\$ 85,845</u>	<u>\$ 10,511</u>	<u>\$ 96,356</u>

\*Amounts have been prepaid.

Amortization of leased equipment, which are recorded as capital assets, is included with depreciation expense.

**NOTE 14 – LONG-TERM LIABILITIES**

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
<b>Governmental activities:</b>					
General obligation bond	\$ 448,216	\$ -	\$ (67,392)	\$ 380,824	\$ 70,155
Capital leases	122,492	-	(36,647)	85,845	28,817 *
Compensated absences	286,112	22,556	-	308,668	21,980
Net pension liability	4,385,669	456,683	-	4,842,352	-
Total long-term liabilities	<u>\$ 5,242,489</u>	<u>\$ 479,239</u>	<u>\$ (104,039)</u>	<u>\$ 5,617,689</u>	<u>\$ 120,952</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 2,987,156	\$ -	\$ (150,287)	\$ 2,836,869	\$ 84,243
Compensated absences	86,852	3,746	-	90,598	22,304
Net pension liability	461,074	48,035	-	509,109	-
Total long-term liabilities	<u>\$ 3,535,082</u>	<u>\$ 51,781</u>	<u>\$ (150,287)</u>	<u>\$ 3,436,576</u>	<u>\$ 106,547</u>

\*Amount has been prepaid.

Long-term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2016
<b>Governmental activities:</b>					
General obligation bond payable:					
Pumper/rescue truck	\$ 900,000	2007	2021	4.100	\$ 380,824
<b>Business-type activities:</b>					
General obligation bonds payable:					
Water treatment plant	\$ 1,050,000	1992	2022	5.500	153,448
Parkview sewer project	\$ 120,000	2005	2026	4.500	36,300
Guild pump station	\$ 440,362	2009	2026	2.180	88,072
State revolving loan*	\$ 2,559,049	2013			2,559,049
					<u>2,836,869</u>
Total					<u>\$ 3,217,693</u>

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**\*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 by the Environmental Protection Agency (EPA) through the State of New Hampshire. However, as of June 30, 2016, 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 accrued 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, 2016, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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>\$ 380,824</u>	<u>\$ 48,000</u>	<u>\$ 428,824</u>

The annual requirements to amortize all **business-type activities** general obligation bonds outstanding as of June 30, 2016, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	12,620	1,387	14,007
2022-2026	16,300	1,867	18,167
Totals	<u>\$ 277,820</u>	<u>\$ 33,397</u>	<u>\$ 311,217</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 and proprietary funds revenues. Water Pollution Control Revolving Loan balance not included above as the loan has not entered repayment.

**Bonds/Notes Authorized and Unissued** – Bonds and notes authorized and unissued as of June 30, 2016 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
May 10, 2016	Oak St. Bridge	509,000
May 10, 2016	1st. 2nd. 3rd. 4th. Knoll St.'s Bond	3,003,100
		<u>\$ 12,144,738</u>

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**NOTE 15 – 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 publicly 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. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of 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. For fiscal year 2016, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. For fiscal year 2016, the Town contributed 26.38% for police, 29.16% for fire fighters, and 11.17% for all other employees. The contribution requirements for the fiscal years 2014, 2015, and 2016 were \$466,200, \$495,388, and \$533,292, 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, 2016 the Town reported a total liability of \$5,351,461, of which \$4,842,352 reported in the governmental activities and \$509,109 reported in the business-type activities for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2015, the Town's proportion was .13508581% which was an increase of .00596281% from its proportion measured as of June 30, 2014.

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

For the year ended June 30, 2016, the Town recognized pension expense of \$314,178. At June 30, 2016 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
<b>Governmental activities:</b>		
Changes in proportion	\$ 186,090	\$ 255,911
Differences between expected and actual experience	-	106,260
Net difference between projected and actual investment earnings on pension plan investments	-	129,417
Contributions subsequent to the measurement date	251,759	-
<b>Business-type activities:</b>		
Changes in proportion	19,565	26,905
Differences between expected and actual experience	-	11,172
Net difference between projected and actual investment earnings on pension plan investments	-	13,607
Contributions subsequent to the measurement date	26,469	-
<b>Total</b>	<b>\$ 483,883</b>	<b>\$ 543,272</b>

The \$278,228 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, 2017. 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
2017	\$ (121,815)	\$ (12,807)	\$ (134,622)
2018	(121,815)	(12,807)	(134,622)
2019	(121,815)	(12,807)	(134,622)
2020	52,784	5,550	58,334
2021	7,162	753	7,915
Totals	<b>\$ (305,499)</b>	<b>\$ (32,118)</b>	<b>\$ (337,617)</b>

**Actuarial Assumptions:** The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions which, accordingly apply to 2015 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, 2015 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, 2016**

Following is a table presenting target allocations and long-term rates of return for 2015:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2015
Large Cap Equities	22.50%	3.00%
Small/Mid Cap Equities	7.50%	3.00%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.00%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	(0.70%)
Short Duration	2.50%	(1.00%)
Global Multi-Sector Fixed Income	11.00%	0.28%
Unrestrained Fixed Income	7.00%	0.16%
Total fixed income	25.00%	
Private equity	5.00%	5.50%
Private debt	5.00%	4.50%
Real estate	10.00%	3.50%
Opportunistic	5.00%	2.75%
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, 2015	\$ 7,044,503	\$ 5,351,461	\$ 3,908,133
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.

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**NOTE 16 – 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.

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, 2016 or contracted with an actuarial firm to assist in evaluating the impact of this 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 17 – ENCUMBRANCES**

Encumbrances outstanding at June 30, 2016 are as follows:

General fund:	
General government	\$ 604,965
Public safety	115,657
Highways and streets	192,323
Sanitation	4,072
Health	4,690
Culture and recreation	2,650
Capital outlay	421,358
Other financing uses	17,058
Total encumbrances	<u>\$ 1,362,773</u>

**NOTE 18 – 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 projects:

Bonds Issued	Amount
WWTP	\$ 65,172
Guild station	92,476
Total	<u>\$ 157,648</u>

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, 2016 the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending	Amount
June 30,	
2017	\$ 24,073
2018	24,073
2019	24,073
2020	24,073
2021	24,073
2022-2023	37,283
	<u>\$ 157,648</u>

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**NOTE 19 – NET POSITION**

Governmental and business-type activities net position reported on the government-wide Statement of Net Position at June 30, 2016 include the following:

	Governmental Activities	Business-type Activities	Total	Component Unit
Net investment in capital assets:				
Net property, buildings, and equipment	\$ -	\$ 8,521,949	\$ 8,521,949	\$ 912,275
Less:				
General obligation bonds payable	(380,824)	(2,836,869)	(3,217,693)	-
Capital leases payable	(85,845)	-	(85,845)	-
Total net investment in capital assets	(466,669)	5,685,080	5,218,411	912,275
Restricted net position:				
Airport	6,148	-	6,148	-
Police drug forfeiture	6,021	-	6,021	-
Capital projects	560,519	-	560,519	-
Nonexpendable permanent funds	594,359	-	594,359	-
Expendable permanent funds	9,892	-	9,892	-
Library purposes	-	-	-	1,364,706
Total restricted net position	1,176,939	-	1,176,939	1,364,706
Unrestricted	(2,340,675)	2,277,003	(63,672)	-
Total net position	\$ (1,630,405)	\$ 7,962,083	\$ 6,331,678	\$ 2,276,981

**NOTE 20 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at June 30, 2016 include the following:

**Nonspendable:**

Major fund:

General:

Prepaid items	\$ 129,619
Tax deeded property, subject to resale	149,073
	<u>278,692</u>

Nonmajor funds:

Airport - inventory	6,148
Permanent fund - principal balance	594,359
	<u>600,507</u>

Total nonspendable fund balance \$ 879,199

**Restricted:**

Nonmajor funds:

Police drug forfeiture	\$ 6,021
Town hall improvements	425,414
Bridge	<u>135,105</u>

Total restricted fund balance 576,432

(continued)

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

*Governmental fund balances continued:*

<b>Committed:</b>		
Major fund:		
General:		
Expendable trust	\$ 124,030	
Nonmajor funds:		
Conservation commission	48,326	
Police details	11,200	
Bald Mt TIF District	173,582	
Recreation revolving	136,338	
	<u>369,446</u>	
Total committed fund balance		493,476
<b>Assigned:</b>		
Major fund:		
General:		
Encumbrances	\$ 1,362,773	
CDBG revolving loan	47,631	
	<u>1,410,404</u>	
Nonmajor funds:		
Ambulance	8,114	
Neighborhood Improvement	63,717	
	<u>71,831</u>	
Total assigned fund balance		1,482,235
<b>Unassigned (deficit):</b>		
Major fund:		
General	\$ 55,149	
Nonmajor fund:		
Airport (deficit)	(16,650)	
Total unassigned fund balance		38,499
Total governmental fund balances		<u>\$ 3,469,841</u>

**NOTE 21 – 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 (Primex<sup>3</sup>) 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 (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2016 to June 30, 2016 by Primex<sup>3</sup>, 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 and paid for the year ended June 30, 2016 was \$79,099 for workers' compensation and \$112,575 for property/liability.

**NOTE 22 – 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.

**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

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, 2016, that contract was in the amount of \$35,000 plus any additional costs, and at June 30, 2016, the Town has reported a receivable in the amount of \$155,326 from ECON.

**NOTE 23 – CONTINGENT LIABILITIES**

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 24 – 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. Management has evaluated subsequent events through September 15, 2017, the date the June 30, 2016 financial statements were available to be issued, and the following occurred that require recognition or disclosure:

In January 2015, a general contractor filed and served the Town with a lawsuit seeking unpaid sums till 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 subcontractor that designed the facility, alleging breaches of contract and negligence and seeking damages. The facility cannot be operating 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 a 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, 2016*

Fiscal Year End	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
June 30, 2016	June 30, 2015	0.13508581%	\$ 5,351,461	\$ 3,025,088	176.90%	65.47%
June 30, 2015	June 30, 2014	0.12912300%	\$ 4,846,743	\$ 2,934,611	165.16%	59.81%
June 30, 2014	June 30, 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, 2016*

Fiscal Year End	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2016	June 30, 2015	\$ 453,197	\$ 453,197	\$ -	\$ 3,025,088	14.98%
June 30, 2015	June 30, 2014	\$ 418,905	\$ 418,905	\$ -	\$ 2,934,611	14.27%
June 30, 2014	June 30, 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, 2016**

***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, 2016, and the two preceding years.

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2015:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	25 Years beginning July 1, 2015 (30 years beginning July 1, 2009)
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.
-------	--------------------------------------------------------------------------------------------------------------------------------------------------

***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, 2016**

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 4,646,197	\$ 4,753,319	\$ 107,122
Land use change	22,000	11,390	(10,610)
Yield	22,000	50,777	28,777
Excavation	3,000	2,560	(440)
Payment in lieu of taxes	96,670	96,573	(97)
Interest and penalties on taxes	205,000	193,962	(11,038)
Total from taxes	4,994,867	5,108,581	113,714
Licenses, permits, and fees:			
Motor vehicle permit fees	925,000	1,058,544	133,544
Building permits	15,000	38,553	23,553
Other	22,500	18,839	(3,661)
Total from licenses, permits, and fees	962,500	1,115,936	153,436
Intergovernmental:			
State:			
Meals and rooms distribution	311,761	311,761	-
Highway block grant	172,992	177,081	4,089
Total from intergovernmental	484,753	488,842	4,089
Charges for services:			
Income from departments	729,128	680,811	(48,317)
Miscellaneous:			
Sale of municipal property	2,000	-	(2,000)
Interest on investments	2,000	5,126	3,126
Rent of property	95,000	100,334	5,334
Insurance dividends and reimbursements	66,780	18,421	(48,359)
Contributions and donations	80,000	91,603	11,603
Other	60,000	649	(59,351)
Total from miscellaneous	305,780	216,133	(89,647)
Other financing sources:			
Transfers in	12,000	11,509	(491)
Total revenues and other financing sources	7,489,028	\$ 7,621,812	\$ 132,784
Unassigned fund balance used to reduce tax rate	31,800		
Total revenues, other financing sources, and use of fund balance	\$ 7,520,828		

**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, 2016**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 6,400	\$ 175,914	\$ 173,083	\$ 94,500	\$ (85,269)
Election and registration	-	135,136	136,789	-	(1,653)
Financial administration	58,154	313,860	346,850	32,316	(7,152)
Revaluation of property	168,876	142,930	122,797	221,009	(32,000)
Legal	32,584	48,000	65,170	31,063	(15,649)
Planning and zoning	450	99,259	94,572	-	5,137
General government buildings	149,562	536,465	533,626	199,894	(47,493)
Cemeteries	16,233	9,120	6,726	19,233	(606)
Insurance, not otherwise allocated	-	1	-	-	1
Advertising and regional associations	-	24,546	24,619	-	(73)
Other	18,950	123,766	112,458	6,950	23,308
Total general government	451,209	1,608,997	1,616,690	604,965	(161,449)
Public safety:					
Police	-	1,498,845	1,353,908	51,494	93,443
Ambulance	5,000	460,101	470,730	5,000	(10,629)
Fire	54,994	528,672	565,737	43,969	(26,040)
Building inspection	1,350	47,909	44,173	-	5,086
Emergency management	-	7,997	5,533	-	2,464
Other	-	443,274	442,588	15,194	(14,508)
Total public safety	61,344	2,986,798	2,882,669	115,657	49,816
Highways and streets:					
Public works garage	74,335	309,770	307,857	63,657	12,591
Highways and streets	6,227	964,916	829,144	128,666	13,333
Bridges	-	8,544	7,488	-	1,056
Street lighting	-	72,960	80,412	-	(7,452)
Total highways and streets	80,562	1,356,190	1,224,901	192,323	19,528
Sanitation:					
Solid waste collection	3,738	2,400	1,909	4,072	157
Health:					
Administration	-	3,149	2,653	-	496
Health agencies	-	9,690	5,000	4,690	-
Total health	-	12,839	7,653	4,690	496
Welfare:					
Administration	-	36,443	35,580	-	863
Direct assistance	-	147,000	103,204	-	43,796
Total welfare	-	183,443	138,784	-	44,659
Culture and recreation:					
Parks and recreation	-	351,102	337,977	-	13,125
Library	-	323,131	322,481	650	-
Patriotic purposes	1,500	3,840	3,308	2,000	32
Total culture and recreation	1,500	678,073	663,766	2,650	13,157

(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, 2016**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	93,283	67,392	-	25,891
Interest on long-term debt	-	18,483	18,374	-	109
Interest on tax anticipation notes	-	1	-	-	1
Other	-	99,570	42,835	-	56,735
Total debt service	-	211,337	128,601	-	82,736
Capital outlay	382,153	458,693	345,317	421,358	74,171
Other financing uses:					
Transfers out	-	22,058	5,580	17,058	(580)
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 980,506	\$ 7,520,828	\$ 7,015,870	\$ 1,362,773	\$ 122,691

**SCHEDULE 3**  
**TOWN OF NEWPORT, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Changes in Unassigned Fund Balance*  
*For the Fiscal Year Ended June 30, 2016*

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 600,671
Changes:		
Unassigned fund balance used to reduce 2015-2016 tax rate		(31,800)
2016 Budget summary:		
Revenue surplus (Schedule 1)	\$ 132,784	
Unexpended balance of appropriations (Schedule 2)	<u>122,691</u>	
2016 Budget surplus		255,475
Increase in nonspendable fund balance		<u>(154,537)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		669,809
<b><i>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</i></b>		
Deferred inflows of resources for property taxes not collected within 60 days of the fiscal year-end		(721,731)
Allowance for uncollectible property taxes not recognized on GAAP basis		<u>107,071</u>
Unassigned fund deficit, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 55,149</u></u>

**SCHEDULE 4**  
**TOWN OF NEWPORT, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Balance Sheet**  
**June 30, 2016**

	Special Revenue Funds					
	Ambulance	Airport	Conservation Commission	Grants	Neighborhood Improvement Fund	CDBG
<b>ASSETS</b>						
Cash and cash equivalents	\$ 26,248	\$ 248,727	\$ 57,329	\$ -	\$ 63,717	\$ -
Investments	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Intergovernmental receivable	-	-	-	45,469	-	4,178
Interfund receivable	-	17,073	-	-	-	-
Inventory	-	6,148	-	-	-	-
Total assets	<u>\$ 26,248</u>	<u>\$ 271,948</u>	<u>\$ 57,329</u>	<u>\$ 45,469</u>	<u>\$ 63,717</u>	<u>\$ 4,178</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 135	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund payable	17,999	266,950	9,003	45,469	-	4,178
Other payable	-	-	-	-	-	-
Total liabilities	<u>18,134</u>	<u>266,950</u>	<u>9,003</u>	<u>45,469</u>	<u>-</u>	<u>4,178</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - Other	-	15,500	-	-	-	-
<b>FUND BALANCES (DEFICIT)</b>						
Nonspendable	-	6,148	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	48,326	-	-	-
Assigned	8,114	-	-	-	63,717	-
Unassigned (deficit)	-	(16,650)	-	-	-	-
Total fund balances (deficit)	<u>8,114</u>	<u>(10,502)</u>	<u>48,326</u>	<u>-</u>	<u>63,717</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 26,248</u>	<u>\$ 271,948</u>	<u>\$ 57,329</u>	<u>\$ 45,469</u>	<u>\$ 63,717</u>	<u>\$ 4,178</u>

Special Revenue Funds				Capital Project Funds		Permanent Fund	Total
Police Details	Bald Mt TIF District	Recreation Revolving	Police Drug Forfeiture	Town Hall Improvements	Bridge		
\$ -	\$ 173,582	\$ 136,338	\$ 10,191	\$ 376,041	\$ 109,805	\$ 20,658	\$ 1,222,636
-	-	-	-	-	-	595,102	595,102
47,940	-	-	-	-	-	-	47,940
-	-	-	-	49,373	25,311	-	124,331
-	-	-	-	-	-	-	17,073
-	-	-	-	-	-	-	6,148
<u>\$ 47,940</u>	<u>\$ 173,582</u>	<u>\$ 136,338</u>	<u>\$ 10,191</u>	<u>\$ 425,414</u>	<u>\$ 135,116</u>	<u>\$ 615,760</u>	<u>\$ 2,013,230</u>
\$ -	\$ -	\$ -	\$ 4,170	\$ -	\$ -	\$ -	\$ 4,305
36,740	-	-	-	-	-	11,509	391,848
-	-	-	-	-	11	-	11
<u>36,740</u>	<u>-</u>	<u>-</u>	<u>4,170</u>	<u>-</u>	<u>11</u>	<u>11,509</u>	<u>396,164</u>
-	-	-	-	-	-	-	15,500
-	-	-	-	-	-	594,359	600,507
-	-	-	6,021	425,414	135,105	9,892	576,432
11,200	173,582	136,338	-	-	-	-	369,446
-	-	-	-	-	-	-	71,831
-	-	-	-	-	-	-	(16,650)
<u>11,200</u>	<u>173,582</u>	<u>136,338</u>	<u>6,021</u>	<u>425,414</u>	<u>135,105</u>	<u>604,251</u>	<u>1,601,566</u>
<u>\$ 47,940</u>	<u>\$ 173,582</u>	<u>\$ 136,338</u>	<u>\$ 10,191</u>	<u>\$ 425,414</u>	<u>\$ 135,116</u>	<u>\$ 615,760</u>	<u>\$ 2,013,230</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, 2016**

	Special Revenue Funds					
	Ambulance	Airport	Conservation Commission	Grants	Neighborhood Improvement Fund	CDBG
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	414	-	58,396	-	8,915
Charges for services	-	126,980	-	-	-	-
Miscellaneous	1,324	11,178	35,089	-	98	-
Total revenues	1,324	138,572	35,089	58,396	98	8,915
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	8,887	-	8,915
Public safety	1,202	-	-	49,509	-	-
Airport operations	-	124,002	-	-	-	-
Conservation	-	-	388	-	-	-
Capital outlay	-	10,685	-	-	-	-
Total expenditures	1,202	134,687	388	58,396	-	8,915
Excess (deficiency) of revenues over (under) expenditures	122	3,885	34,701	-	98	-
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	122	3,885	34,701	-	98	-
Fund balances (deficit), beginning	7,992	(14,387)	13,625	-	63,619	-
Fund balances (deficit), ending	\$ 8,114	\$ (10,502)	\$ 48,326	\$ -	\$ 63,717	\$ -

Special Revenue Funds				Capital Project Funds			Total
Police Details	Bald Mt TIF District	Recreation Revolving	Police Drug Forfeiture	Town Hall Improvements	Bridge	Permanent Fund	
\$ -	\$ 47,232	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,232
-	-	-	-	-	155,539	-	223,264
99,566	-	52,395	-	-	-	-	278,941
-	-	8	7	68,406	-	21,401	137,511
<u>99,566</u>	<u>47,232</u>	<u>52,403</u>	<u>7</u>	<u>68,406</u>	<u>155,539</u>	<u>21,401</u>	<u>686,948</u>
-	18,000	-	-	-	-	-	35,802
88,366	-	-	3,297	-	-	-	142,374
-	-	-	-	-	-	-	124,002
-	-	-	-	-	-	-	388
-	-	21,204	-	25,690	196,066	-	253,645
<u>88,366</u>	<u>18,000</u>	<u>21,204</u>	<u>3,297</u>	<u>25,690</u>	<u>196,066</u>	<u>-</u>	<u>556,211</u>
<u>11,200</u>	<u>29,232</u>	<u>31,199</u>	<u>(3,290)</u>	<u>42,716</u>	<u>(40,527)</u>	<u>21,401</u>	<u>130,737</u>
-	-	-	-	-	580	-	580
-	-	-	-	-	-	(11,509)	(11,509)
-	-	-	-	-	580	(11,509)	(10,929)
11,200	29,232	31,199	(3,290)	42,716	(39,947)	9,892	119,808
-	144,350	105,139	9,311	382,698	175,052	594,359	1,481,758
<u>\$ 11,200</u>	<u>\$ 173,582</u>	<u>\$ 136,338</u>	<u>\$ 6,021</u>	<u>\$ 425,414</u>	<u>\$ 135,105</u>	<u>\$ 604,251</u>	<u>\$ 1,601,566</u>