

**TOWN OF NEWPORT,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

TOWN OF NEWPORT, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of the Town of Newport as of and for the year ended June 30, 2018, 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 unmodified and adverse 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, be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities is not reasonably determinable.

As discussed in Note 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 (other than NH Retirement System) 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” paragraphs, 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, 2018, 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, each major fund and aggregate remaining fund information of the Town of Newport as of June 30, 2018, and the respective changes in financial position, 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.

Change in Accounting Principle

As discussed in Note 2-D to the financial statements, in fiscal year 2018 the Town adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are modified with respect to this matter.

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Management’s Discussion and Analysis,
- Schedule of the Town’s Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town’s Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of the Town Contributions – Other Postemployment Benefits, and
- Notes to the Required Supplementary Information

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

February 22, 2019

*Plodzik & Sanderson
Professional Association*

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2018

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, 2018. Please read it in conjunction with the Town's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

For the year ended June 30, 2018:

- The Town implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year 2018. The beginning net position for governmental activities was restated by \$(330,017) and business-type activities by (\$44,097) for the OPEB provided by New Hampshire Retirement System. There was no restatement of net position for the Town's local OPEB plan. OPEB expense for fiscal year 2017 and deferred inflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- The Town's total net position, after restatement, was \$3,859,334, a decrease from the prior year of \$1,285,445 or 25.0%, which consisted of (\$2,354,664) for Governmental Activities and \$6,213,998 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 \$8,044,017, a decrease from the prior year of \$186,002, or 2.3%. Depreciation expense for 2018 was \$334,560.
- The total long-term obligations for the Town were \$10,768,013, a decrease of \$470,586 from the prior year, or 4.2%.
- The unassigned fund balance of the General Fund was \$588,879, an increase of the prior year's balance of \$182,946, or 45.1%.

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

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2018

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, 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, 2017 and the Statement of Activities is for the period January 1, 2017 to December 31, 2017.

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.

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2018

- 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.

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, 2018:

Statement of Net Position

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

	2018			(Restated)
	Governmental Activities	Business-Type Activities	Total	2017 Total
Current Assets	\$ 11,270,437	\$ 1,808,962	\$ 13,079,399	\$ 13,527,033
Noncurrent Assets (net)	-	8,044,017	8,044,017	8,363,594
Total Assets	11,270,437	9,852,979	21,123,416	21,890,627
Deferred Outflows of Resources	1,245,693	166,452	1,412,145	2,039,405
Current Liabilities	4,969,968	114,416	5,084,384	4,759,585
Non-current Liabilities	7,117,180	3,650,833	10,768,013	11,238,599
Total Liabilities	12,087,148	3,765,249	15,852,397	15,998,184
Deferred Inflows of Resources	2,783,646	40,184	2,823,830	2,787,069
Investment in capital assets (net of related debt)	(492,973)	5,330,019	4,837,046	5,111,248
Restricted net position	1,221,753	-	1,221,753	1,220,163
Unrestricted net position	(3,083,444)	883,979	(2,199,465)	(1,186,632)
Total Net Position	\$ (2,354,664)	\$ 6,213,998	\$ 3,859,334	\$ 5,144,779

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2018

- Net Investment in Capital Assets: The Town has not recorded its inventory in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, etc.), or related accumulated depreciation for the Governmental Activities, but has recorded the related debt obligations, resulting in a negative Investment in Capital Assets. The Town has recorded its inventory in capital assets for the Business-Type Activities such as land, buildings, equipment, and system infrastructure (pipes including installation costs, etc.), net of accumulated depreciation, and the related debt obligations.
- Restricted Net Position: Restricted Net Position are the Town's 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.

	2018			2017 Total
	Governmental Activities	Business-Type Activities	Total	
Program Revenues				
Charges for service	\$769,773	\$1,435,346	\$2,205,119	\$2,480,432
Operating grants and contributions	372,096	4,715	376,811	268,050
General Revenues				
Taxes	5,202,447		5,202,447	4,975,173
Licenses and permits	1,155,586		1,155,586	1,170,955
Unrestricted grants and contributions	781,879		781,879	818,686
Miscellaneous	398,797	13,898	412,695	435,437
Total Revenues	8,680,578	1,453,959	10,134,537	10,148,733
Expenses				
General government	2,295,790		2,295,790	1,909,499
Public safety	3,454,477		3,454,477	3,095,287
Highways and Streets	2,245,449		2,245,449	2,175,856
Airport operations	132,679		132,679	123,249
Sanitation	1,506		1,506	7,344
Health	23,976		23,976	16,722
Welfare	206,684		206,684	169,540
Culture and recreation	721,368		721,368	700,310
Conservation	10,738		10,738	3,488
Interest on long-term debt	16,722		16,722	25,316
Water department		845,154	845,154	791,238
Sewer department		1,465,439	1,465,439	1,708,829
Total Expenses	9,109,389	2,310,593	11,419,982	10,726,678
Change in Net Position	(\$428,811)	(\$856,634)	(\$1,285,445)	(\$577,945)

TOWN OF NEWPORT, NH

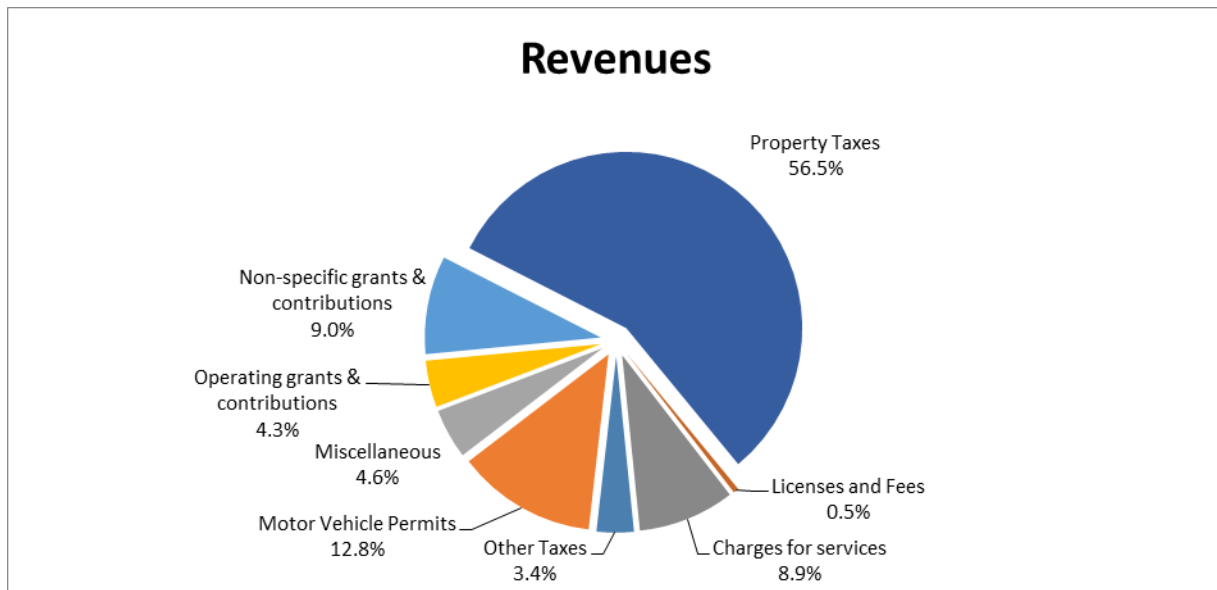
Management's Discussion and Analysis Calendar Year Ended June 30, 2018

Governmental Activities

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

Program revenues are targeted to directly offset expenses. For 2018, program revenues, charges for services and operating grants and contributions account for 13.2% of total revenues. Program revenues for 2017 accounted for 13.3% of total revenues.

Revenues not specifically targeted for an activity are known as general revenues. Property taxes make up 65.1% of the Town's general revenues and 56.5% of total revenues. Licenses and permits, mainly auto registrations, account for 15.3% of general revenues and 13.3% of total revenues. Detail of the total revenues is as follows:

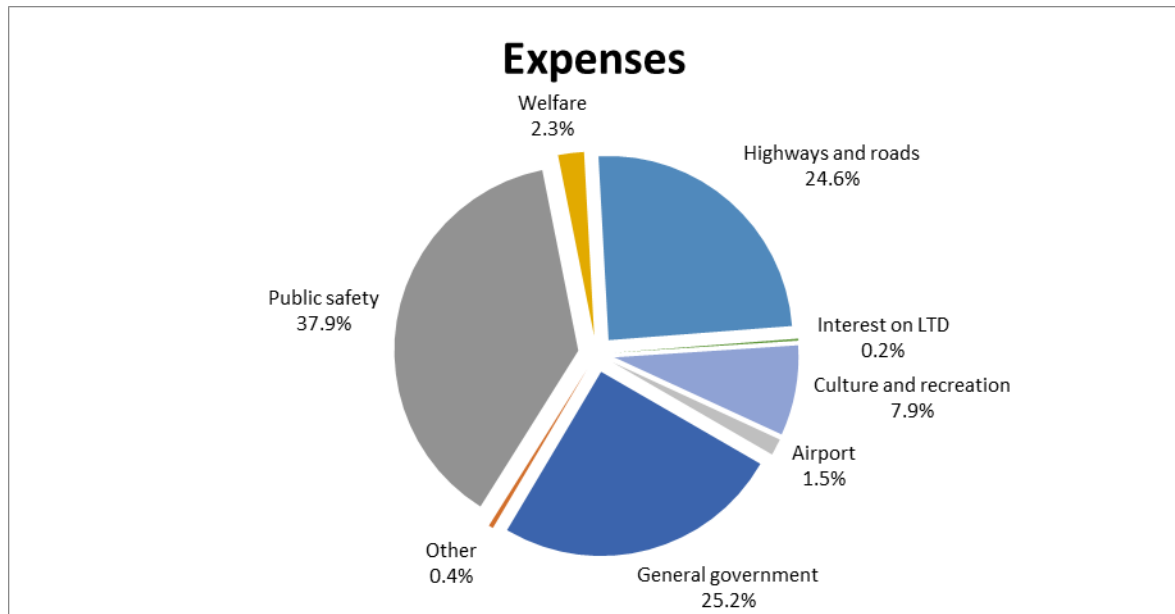


- Expenses: Expenses are classified by major governmental function or program and are offset by related program income. No depreciation has been recorded for 2017 or 2018.

The largest expenses were for general government, which accounts for 25.2% of total expenses; public safety, 37.9%; and highways and roads, 24.6%, and culture and recreation, 7.9%.

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2018



Business-Type Activities

➤ Revenues:

Program revenues for the Business-Type Activities, accounting for 98.7% of Total revenues, are Charges for Service for the Water and Sewer utilities. For 2017, Charges for Service accounted for 97.3% 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 2018 and 2017, the breakdown of the expenses is 36.6% and 31.6%, Water department and 63.4% and 68.4%, Sewer department.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

- Governmental Funds: The fund financial statements are provided on pages 14-23. 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, 2018

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 \$7,871,794 in revenues and other financing sources in the General Fund, which is an increase of 2.2% from the prior year. The Town incurred \$8,260,381 in General Fund expenditures and other financing uses during the year, which represents an increase of 9.8% from the prior year.

The Town finished the fiscal year with General Fund fund balance in the amount of \$1,657,740, a decrease from the prior year of 19.0%. The current year net change in fund balance is (\$388,587). Of the total fund balance, \$318,782 is Nonspendable, \$164,050 Committed, and \$586,029 Assigned, leaving an Unassigned balance \$588,879.

- 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 (\$856,634) or 12.1% of the prior year balance. Depreciation expense for 2018 was \$334,560.

BUDGETARY HIGHLIGHTS

The Town budget as approved at Town Meeting for the year ending June 30, 2018 was \$10,795,726. Of that total, \$796,230 was special warrant articles for various projects and special items and the balance of \$9,999,496 represented the Town's operating budget.

Of the total budget, the General Fund accounted for \$7,841,730, \$913,974 for the Water Fund, \$1,089,177 for the Sewer Fund, \$137,533 for the Airport Fund, \$93,312 for the Police Special Detail Fund, and \$720,000 for the Capital Projects Fund. In the General Fund, actual expenditures including encumbered amounts were \$134,247 less than the budgeted amount as of June 30, 2018.

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2018

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 \$8,044,017. 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:

	2018	2017	Change
Land	\$442,421	\$442,421	\$0
Construction in progress	2,852,006	2,744,193	107,813
Buildings and improvements	1,810,069	1,968,907	(158,838)
Machinery, vehicles and equipment	199,047	220,190	(21,143)
Infrastructure	2,740,474	2,854,308	(113,834)
Total	<u>\$8,044,017</u>	<u>\$8,230,019</u>	<u>(\$186,002)</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, net pension liability, and net other postemployment benefits. 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:

	2018	(Restated) 2017	Change
Governmental Activities			
Note	\$237,638	\$310,669	(\$73,031)
Leases	255,335	114,878	140,457
Compensated absences	434,864	449,636	(14,772)
Net pension liability	5,833,300	6,294,820	(461,520)
Net other postemployment benefits	356,043	376,170	(20,127)
Business-Type Activities			
Bonds and notes	2,713,998	2,752,626	(38,628)
Compensated absences	109,804	96,601	13,203
Net pension liability	779,456	792,935	(13,479)
Net other postemployment benefits	47,575	50,264	(2,689)
Total	<u>\$10,768,013</u>	<u>\$11,238,599</u>	<u>(\$470,586)</u>

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2018

ECONOMIC FACTORS AND THE 2018 BUDGET

New Hampshire Department of Employment Security and the United States Department of Labor reported the following unemployment rates for June 2018 and June 2017:

	<u>2018</u>	<u>2017</u>
Newport	2.3%	2.4%
Sullivan County	2.2%	2.1%
State of New Hampshire	2.7%	2.7%
United States	4.0%	4.3%

The Northeast Regional Consumer Price Index (CPI) increased 2.6% from June 2017 to June 2018. The National CPI for the same period increased 2.9%.

At the 2018 Town Meeting, the legislative body approved total appropriations for the 2018-19 fiscal year in the amount of \$10,752,867. The appropriations break down as follows:

	Operating Article	Special Articles	TOTAL
Governmental Type Funds:			
General Fund	\$7,925,892	\$422,323	\$8,348,215
Special Revenue Funds	137,791	93,312	231,103
Business-Type Activities:			
Water Fund	832,794	167,500	1,000,294
Sewer Fund	1,093,255	80,000	1,173,255
TOTAL	<u>\$9,989,732</u>	<u>\$763,135</u>	<u>\$10,752,867</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, 2018

	Governmental Activities	Business-type Activities	Total	Component Unit Richards Free Library
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,754,383	\$ 811,361	\$ 7,565,744	\$ 186,254
Investments	843,279	240,630	1,083,909	1,854,521
Account receivables (net)	364,496	640,799	1,005,295	-
Taxes receivables (net)	1,945,396	-	1,945,396	-
Intergovernmental receivable	542,150	-	542,150	-
Internal balances	478,789	(478,789)	-	-
Inventory	23,415	-	23,415	-
Prepaid items	105,867	-	105,867	-
Tax deeded property, subject to resale	212,662	-	212,662	-
Restricted assets:				
Cash and cash equivalents	-	485,459	485,459	-
Noncurrent assets:				
Intergovernmental receivable	-	109,502	109,502	-
Capital assets:				
Land and construction in progress	-	3,294,427	3,294,427	-
Other capital assets, net of depreciation	-	4,749,590	4,749,590	897,909
Total assets	<u>11,270,437</u>	<u>9,852,979</u>	<u>21,123,416</u>	<u>2,938,684</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,245,693</u>	<u>166,452</u>	<u>1,412,145</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	501,492	-	501,492	-
Accrued salaries and benefits	84,801	-	84,801	-
Accrued interest payable	13,876	3,438	17,314	-
Intergovernmental payable	4,065,654	-	4,065,654	-
Other payable	284,918	-	284,918	-
Retainage payable	19,227	110,978	130,205	-
Noncurrent liabilities:				
Due within one year	201,728	61,387	263,115	-
Due in more than one year	6,915,452	3,589,446	10,504,898	-
Total liabilities	<u>12,087,148</u>	<u>7,416,082</u>	<u>19,503,230</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,783,646</u>	<u>40,184</u>	<u>2,823,830</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	(492,973)	5,330,019	4,837,046	897,909
Restricted	1,221,753	-	1,221,753	2,040,775
Unrestricted	(3,083,444)	883,979	(2,199,465)	-
Total net position	<u>\$ (2,354,664)</u>	<u>\$ 6,213,998</u>	<u>\$ 3,859,334</u>	<u>\$ 2,938,684</u>

EXHIBIT B
TOWN OF NEWPORT, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended June 30, 2018

		Program Revenues		Net (Expense) Revenue and Change in Net Position			Component
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	Unit Richards Free Library
	Expenses						
Governmental activities:							
General government	\$ 2,295,790	\$ 18,423	\$ 831	\$ (2,276,536)	\$ -	\$ (2,276,536)	\$ -
Public safety	3,454,477	452,280	-	(3,002,197)	-	(3,002,197)	-
Highways and streets	2,245,449	-	370,748	(1,874,701)	-	(1,874,701)	-
Airport operations	132,679	139,157	517	6,995	-	6,995	-
Sanitation	1,506	45,000	-	43,494	-	43,494	-
Health	23,976	-	-	(23,976)	-	(23,976)	-
Welfare	206,684	-	-	(206,684)	-	(206,684)	-
Culture and recreation	721,368	114,913	-	(606,455)	-	(606,455)	-
Conservation	10,738	-	-	(10,738)	-	(10,738)	-
Interest on long-term debt	16,722	-	-	(16,722)	-	(16,722)	-
Total governmental activities	9,109,389	769,773	372,096	(7,967,520)	-	(7,967,520)	-
Business-type activities:							
Water department	845,154	695,228	2,987	-	(146,939)	(146,939)	-
Sewer department	1,465,439	740,118	1,728	-	(723,593)	(723,593)	-
Total business-type activities	2,310,593	1,435,346	4,715	-	(870,532)	(870,532)	-
Total	\$ 11,419,982	\$ 2,205,119	\$ 376,811	(7,967,520)	(870,532)	(8,838,052)	-
Component unit:							
Richards Free Library	\$ 615,877	\$ 180,997	\$ 402,079	-	-	-	(32,801)
General revenues:							
Taxes:							
Property				4,906,700	-	4,906,700	-
Other				295,747	-	295,747	-
Motor vehicle permit fees				1,112,319	-	1,112,319	-
Licenses and other fees				43,267	-	43,267	-
Grants and contributions not restricted to specific programs				781,879	-	781,879	-
Contributions and donations				102,415	-	102,415	402,079
Miscellaneous				296,382	13,898	310,280	150,318
Total general revenues				7,538,709	13,898	7,552,607	552,397
Change in net position				(428,811)	(856,634)	(1,285,445)	519,596
Net position, beginning, as restated (see Note 21)				(1,925,853)	7,070,632	5,144,779	2,419,088
Net position, ending				\$ (2,354,664)	\$ 6,213,998	\$ 3,859,334	\$ 2,938,684

EXHIBIT C-1
TOWN OF NEWPORT, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,486,910	\$ 1,267,473	\$ 6,754,383
Investments	228,693	614,586	843,279
Accounts receivable (net)	363,843	653	364,496
Taxes receivable	1,980,917	-	1,980,917
Intergovernmental receivable	135,788	406,362	542,150
Interfund receivable	1,083,879	27,989	1,111,868
Inventory	-	23,415	23,415
Prepaid items	106,120	15,211	121,331
Tax deeded property, subject to resale	212,662	-	212,662
Total assets	<u>\$ 9,598,812</u>	<u>\$ 2,355,689</u>	<u>\$ 11,954,501</u>
LIABILITIES			
Accounts payable	\$ 501,032	\$ 460	\$ 501,492
Accrued salaries and benefits	84,801	-	84,801
Intergovernmental payable	4,065,654	-	4,065,654
Interfund payable	27,989	605,090	633,079
Retainage payable	-	19,227	19,227
Other payable	284,918	-	284,918
Total liabilities	<u>4,964,394</u>	<u>624,777</u>	<u>5,589,171</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	2,973,749	-	2,973,749
Unavailable revenue - Other	2,929	-	2,929
Total deferred inflows of resources	<u>2,976,678</u>	<u>-</u>	<u>2,976,678</u>
FUND BALANCES (DEFICIT)			
Nonspendable	318,782	657,368	976,150
Restricted	-	579,596	579,596
Committed	164,050	464,991	629,041
Assigned	586,029	76,268	662,297
Unassigned (deficit)	588,879	(47,311)	541,568
Total fund balances	<u>1,657,740</u>	<u>1,730,912</u>	<u>3,388,652</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,598,812</u>	<u>\$ 2,355,689</u>	<u>\$ 11,954,501</u>

EXHIBIT C-2
TOWN OF NEWPORT, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018

Total fund balances of governmental funds (Exhibit C-1)		\$ 3,388,652
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (633,079)	
Payables	<u>633,079</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	\$ 1,197,763	
Deferred inflows of resources related to pensions	(299,607)	
Deferred outflows of resources related to OPEB	47,930	
Deferred inflows of resources related to OPEB	<u>(1,124)</u>	
		944,962
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds.		493,763
Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual.		(35,521)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(13,876)
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		(15,464)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Note	\$ 237,638	
Capital leases	255,335	
Compensated absences	434,864	
Net pension liability	5,833,300	
Net other postemployment benefits payable	<u>356,043</u>	
		<u>(7,117,180)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (2,354,664)</u></u>

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, 2018

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 5,101,214	\$ 52,137	\$ 5,153,351
Licenses and permits	1,155,586	-	1,155,586
Intergovernmental	550,808	606,444	1,157,252
Charges for services	548,138	221,635	769,773
Miscellaneous	308,214	90,583	398,797
Total revenues	<u>7,663,960</u>	<u>970,799</u>	<u>8,634,759</u>
EXPENDITURES			
Current:			
General government	1,896,576	363,642	2,260,218
Public safety	3,315,245	115,164	3,430,409
Highways and streets	1,260,296	593	1,260,889
Airport operations	-	146,545	146,545
Sanitation	1,506	-	1,506
Health	23,976	-	23,976
Welfare	206,684	-	206,684
Culture and recreation	681,548	31,238	712,786
Conservation	410	9,958	10,368
Debt service:			
Principal	73,031	-	73,031
Interest	12,734	-	12,734
Other	44,464	-	44,464
Capital outlay	<u>743,742</u>	<u>273,173</u>	<u>1,016,915</u>
Total expenditures	<u>8,260,212</u>	<u>940,313</u>	<u>9,200,525</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(596,252)</u>	<u>30,486</u>	<u>(565,766)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	11,544	169	11,713
Transfers out	(169)	(11,544)	(11,713)
Capital lease	196,290	-	196,290
Total other financing sources (uses)	<u>207,665</u>	<u>(11,375)</u>	<u>196,290</u>
Net change in fund balances	(388,587)	19,111	(369,476)
Fund balances, beginning	<u>2,046,327</u>	<u>1,711,801</u>	<u>3,758,128</u>
Fund balances, ending	<u><u>\$ 1,657,740</u></u>	<u><u>\$ 1,730,912</u></u>	<u><u>\$ 3,388,652</u></u>

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, 2018

Net change in fund balances of governmental funds (Exhibit C-3)		\$ (369,476)
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	\$ (11,713)	
Transfers out	<u>11,713</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	\$ (57,843)	
Change in allowance for uncollectible property taxes	<u>103,662</u>	
		45,819
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Capital lease inception	\$ (196,290)	
Repayment of note principal	73,031	
Repayment of capital leases	<u>55,833</u>	
		(67,426)
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.		
Increase in accrued interest expense	\$ (1,491)	
Decrease in prepaid capital leases	19,037	
Decrease in compensated absences payable	14,772	
Changes in balances related to GASB Statement No. 68	(90,826)	
Changes in balances related to GASB Statement No. 75	<u>20,780</u>	
		(37,728)
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ (428,811)</u></u>

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, 2018

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,064,928	\$ 5,064,928	\$ 5,150,310	\$ 85,382
Licenses and permits	1,144,000	1,144,000	1,155,586	11,586
Intergovernmental	1,098,674	522,674	550,808	28,134
Charges for services	671,128	671,128	548,138	(122,990)
Miscellaneous	427,000	260,000	304,171	44,171
Total revenues	8,405,730	7,662,730	7,709,013	46,283
EXPENDITURES				
Current:				
General government	1,701,825	1,673,505	1,772,424	(98,919)
Public safety	3,228,201	3,273,026	3,127,713	145,313
Highways and streets	1,376,543	1,438,988	1,275,496	163,492
Sanitation	2,300	2,300	2,067	233
Health	22,623	23,123	23,976	(853)
Welfare	143,863	143,620	206,684	(63,064)
Culture and recreation	713,271	701,972	676,303	25,669
Conservation	-	-	410	(410)
Debt service:				
Principal	72,373	72,373	73,031	(658)
Interest	13,395	13,395	12,734	661
Other	98,372	43,464	44,464	(1,000)
Capital outlay	1,188,963	273,963	310,180	(36,217)
Total expenditures	8,561,729	7,659,729	7,525,482	134,247
Excess (deficiency) of revenues over (under) expenditures	(155,999)	3,001	183,531	180,530
OTHER FINANCING SOURCES (USES)				
Transfers in	12,000	12,000	11,544	(456)
Bond proceeds	144,000	-	-	-
Transfers out	(1)	(15,001)	(15,169)	(168)
Total other financing sources (uses)	155,999	(3,001)	(3,625)	(624)
Net change in fund balances	\$ -	\$ -	179,906	\$ 179,906
Decrease in nonspendable fund balance			52,136	
Unassigned fund balance, beginning			812,150	
Unassigned fund balance, ending			<u>\$ 1,044,192</u>	

EXHIBIT E-1
TOWN OF NEWPORT, NEW HAMPSHIRE
Proprietary Funds
Statement of Net Position
June 30, 2018

	Business-type Activities Enterprise Funds		
	Water Department	Sewer Department	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 393,489	\$ 417,872	\$ 811,361
Investments	59,042	181,588	240,630
Accounts receivable	316,950	323,849	640,799
Interfund receivable	70,903	-	70,903
Restricted assets:			
Cash and cash equivalents	168,407	317,052	485,459
Total current assets	1,008,791	1,240,361	2,249,152
Noncurrent assets:			
Intergovernmental receivable	43,448	66,054	109,502
Capital assets:			
Land and construction in progress	125,562	3,168,865	3,294,427
Other capital assets, net of depreciation	1,857,148	2,892,442	4,749,590
Total noncurrent assets	2,026,158	6,127,361	8,153,519
Total assets	3,034,949	7,367,722	10,402,671
DEFERRED OUTFLOWS OF RESOURCES	91,657	74,795	166,452
LIABILITIES			
Current liabilities:			
Retainage payable	-	110,978	110,978
Accrued interest payable	2,747	691	3,438
Interfund payable	96,430	453,262	549,692
Total current liabilities	99,177	564,931	664,108
Noncurrent liabilities:			
Due within one year	46,797	14,590	61,387
Due in more than one year	554,767	3,034,679	3,589,446
Total noncurrent liabilities	601,564	3,049,269	3,650,833
Total liabilities	700,741	3,614,200	4,314,941
DEFERRED INFLOWS OF RESOURCES	22,128	18,056	40,184
NET POSITION			
Net investment in capital assets	1,883,864	3,446,155	5,330,019
Unrestricted	519,873	364,106	883,979
Total net position	\$ 2,403,737	\$ 3,810,261	\$ 6,213,998

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, 2018

	Business-type Activities Enterprise Funds		
	Water Department	Sewer Department	Total
Operating revenues:			
User charges	\$ 694,849	\$ 717,587	\$ 1,412,436
Miscellaneous	379	22,531	22,910
Total operating revenues	<u>695,228</u>	<u>740,118</u>	<u>1,435,346</u>
Operating expenses:			
Salaries and wages	543,294	395,326	938,620
Operation and maintenance	185,410	845,242	1,030,652
Depreciation and amortization	111,229	223,331	334,560
Total operating expenses	<u>839,933</u>	<u>1,463,899</u>	<u>2,303,832</u>
Operating loss	<u>(144,705)</u>	<u>(723,781)</u>	<u>(868,486)</u>
Nonoperating revenue (expense):			
Interest income	4,125	9,773	13,898
Interest expense	(5,221)	(1,540)	(6,761)
Intergovernmental	2,987	1,728	4,715
Total net nonoperating revenue (expenses)	<u>1,891</u>	<u>9,961</u>	<u>11,852</u>
Change in net position	(142,814)	(713,820)	(856,634)
Net position, beginning, as restated (see Note 21)	<u>2,546,551</u>	<u>4,524,081</u>	<u>7,070,632</u>
Net position, ending	<u>\$ 2,403,737</u>	<u>\$ 3,810,261</u>	<u>\$ 6,213,998</u>

EXHIBIT E-3
TOWN OF NEWPORT, NEW HAMPSHIRE
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	Business-type Activities Enterprise Funds		
	Water Department	Sewer Department	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 685,311	\$ 748,359	\$ 1,433,670
Payments to employees	(473,394)	(405,579)	(878,973)
Payments to suppliers	(213,213)	(1,043,000)	(1,256,213)
Net cash used by operating activities	(1,296)	(700,220)	(701,516)
Cash flows from capital and related financing activities:			
Loan issuance	17,816	27,800	45,616
Principal paid on bonds	(36,208)	(48,036)	(84,244)
Acquisition and construction of capital assets	(57,824)	(90,733)	(148,557)
Interest paid	(6,449)	(2,356)	(8,805)
Net cash used by capital and related financing activities	(82,665)	(113,325)	(195,990)
Cash flows from non-capital financing activities:			
State aid - water filtration grant	13,849	14,939	28,788
Cash flows from investing activities:			
Transfer to capital reserve funds	-	(30,000)	(30,000)
Interest received	3,891	9,176	13,067
Net cash provided (used) by investing activities	3,891	(20,824)	(16,933)
Net decrease in cash	(66,221)	(819,430)	(885,651)
Cash, beginning	628,117	1,554,354	2,182,471
Cash, ending	\$ 561,896	\$ 734,924	\$ 1,296,820

Reconciliation of Operating Loss to Net Cash Used by Operating Activities

Operating loss	\$ (144,705)	\$ (723,781)	\$ (868,486)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation expense	111,229	223,331	334,560
Changes in accounts receivables	(9,917)	8,241	(1,676)
Changes in retainage payable	-	56	56
Changes in compensated absences payable	7,058	6,144	13,202
Changes in deferred outflows, deferred inflows, net pension liability, and OPEB liability associated with GASB Statements No. 68 and No. 75	62,842	(16,397)	46,445
Changes in interfund receivables	2,601	-	2,601
Changes in interfund payables	(30,404)	(197,814)	(228,218)
Total adjustments	143,409	23,561	166,970
Net cash used by operating activities	\$ (1,296)	\$ (700,220)	\$ (701,516)

EXHIBIT F-1
TOWN OF NEWPORT, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
June 30, 2018

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 249,450	\$ -
Investments	158,416	404,826
Total assets	<u>407,866</u>	<u>\$ 404,826</u>
LIABILITIES		
Intergovernmental payable	<u>-</u>	<u>\$ 404,826</u>
NET POSITION		
Held in trust for specific purposes	<u>\$ 407,866</u>	

EXHIBIT F-2
TOWN OF NEWPORT, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust
ADDITIONS	
Interest	\$ 15,002
DEDUCTIONS	
Scholarships	6,737
Change in net position	8,265
Net position, beginning	399,601
Net position, ending	\$ 407,866

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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 U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2018 the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which changed the way other postemployment benefit (OPEB) liabilities and related expenses are recorded. See Note 16 for further information on this pronouncement.

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 otherwise assumed the responsibility to finance the deficits or provide financial support to the organization; or (4) the Town is obligated for 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, 2017.

1-B Basis of Accounting, and Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental 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.

Government-wide Financial Statements – The Town's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of 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 healthcare 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 presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. As in the Statement of Net Position the Town has not recorded depreciation expense nor other postemployment benefit expense in the governmental activities. The types of transactions reported as program revenues for the Town are reported in two categories: 1) charges for services and 2) operating grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated, except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

Governmental Fund Financial Statements – Include a balance sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

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 Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental fund:

General Fund – is the Town’s primary operating fund. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, debt service and capital outlay. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the expendable trust funds and the CDBG Revolving Loan fund are consolidated in the general fund.

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.

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 thirteen nonmajor governmental funds.

Proprietary Fund Financial Statements – Include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are reported using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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The Town reports the following major proprietary funds:

Water Department – accounts for the activities related to the operation of the water treatment plant, wells, and water system.

Sewer Department – accounts for the activities related to the operation of the sewer treatment plant, pumping station, and sewer lines.

Fiduciary Fund Financial Statements – Include a Statement of Net Position and a Statement of Changes in Net Position. The Town's fiduciary funds are private purpose trust and agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

The Town also reports the following fiduciary funds:

Private Purpose Trust Fund – are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

Agency Fund – are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets held on behalf of outside parties, including other governments.

1-C 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 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-D 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. In addition, in the Sewer Department, the cash associated with retainage payable for future contractor's expenses has been reported as restricted since it will be used to satisfy contractual provisions.

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.

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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.

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.

Level 2 – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. All of the Town's holdings in New Hampshire Public Deposit Investment Pool (NHPDIP), U.S. government obligations, and corporate bonds would be examples of Level 2 investments.

Level 3 – Inputs are significant unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Investments in Certain External Investment Pools – In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Town held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) are categorized as Level 2. The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the Town in accordance with the NHPDIP's Information Statement.

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 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/expenditure when sold rather than when purchased.

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1-I 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/expenditures as the items are used. Under the full accrual basis of accounting used for the government-wide financial statements, prepayments of debt are recognized as they occurred (see Note 8).

1-J Capital Assets

Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), and intangible assets (i.e. easements) which 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 costs of the initial reporting of these assets. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. Capital assets of the proprietary fund are capitalized in the fund and the cost basis for proprietary fund capital assets is the same as that used for general capital assets.

Capital assets are defined by the Town as assets with an estimated useful life in excess of one year. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Capital Asset Classes:	
Business-type Activities:	
Buildings and building improvements	20 - 40
Machinery and equipment	5 - 40
Other improvements	40
Component Unit:	
Land improvements	25
Buildings and building improvements	39

1-K Interfund Activities

Interfund activities are reported as follows:

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

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-L 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 15, 2017 and November 30, 2017, and due on July 5, 2017 and January 8, 2018. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

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Property tax receivables are recognized on the levy or lien date, which is the date the tax warrant is issued. Current year property tax receivables represent taxes levied but not remitted to the Town at June 30, 2018 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the Town to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. Although the succeeding year property tax receivable have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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, 2017 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 412,113,629
For all other taxes	\$ 431,562,529

The tax rates and amounts assessed for the year ended June 30, 2018 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$11.51	\$ 4,967,142
School portion:		
State of New Hampshire	\$2.34	962,443
Local	\$13.31	5,744,128
County portion	\$2.84	1,227,653
Total	<u>\$30.00</u>	<u>\$ 12,901,366</u>

1-M Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2018.

1-N Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

1-O Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund Statement of Net Position.

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 making termination payments.

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1-Q Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as an expense when the related liabilities are incurred.

1-R 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* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No.73* 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 related 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-S Postemployment Benefits Other Than Pensions (OPEB)

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

1-T Net Position/Fund Balances

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

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, 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.

Restricted net position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

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Restricted – 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 – 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 – 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 through the budgetary process.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the 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.

1-U Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives of capital assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

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, proprietary, and nonmajor airport funds. 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 2018, none of the beginning general fund unassigned fund balance was applied for this purpose.

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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)	\$ 7,720,557
Adjustment:	
Basis difference:	
Capital lease inception	196,290
GASB Statement No. 54:	
To record revenue of the blended funds	4,043
Change in unavailable tax revenue relating to 60-day revenue recognition	54,566
Change in reserve for uncollectible property taxes, not reported on GAAP basis	(103,662)
Per Exhibit C-3 (GAAP basis)	<u>\$ 7,871,794</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 7,540,651
Adjustment:	
Basis differences:	
Encumbrances, beginning	1,187,282
Encumbrances, ending	(532,980)
Capital lease inception	196,290
GASB Statement No. 54:	
To eliminate transfers between blended funds	(15,000)
To remove expenditures recognized in prior years, under modified accrual basis of accounting	(115,862)
Per Exhibit C-3 (GAAP basis)	<u>\$ 8,260,381</u>

2-C Deficit Fund Balances

The Airport Special Revenue Fund had a total deficit fund balance of \$8,685 at June 30, 2018. This deficit will be financed through the increasing of billing rates to customers for fuel and to attempt to create operating efficiencies to cut down on costs in the subsequent years.

2-D Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized.

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Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, deferred inflows and outflows of resources, as follows:

	Governmental Activities	Proprietary Funds	
		Water Department	Sewer Department
Change in total OPEB liability under current standards, July 1, 2017	\$ (376,170)	\$ (27,678)	\$ (22,586)
Initial balance of deferred outflows of resources	46,153	3,396	2,771
Cumulative restatement related to GASB No. 75 implementation (see Note 21)	<u>\$ (330,017)</u>	<u>\$ (24,282)</u>	<u>\$ (19,815)</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At June 30, 2018, the reported amount of the Town's deposits was \$8,486,907 and the bank balance was \$8,545,779. Of the bank balance \$5,510,018 was covered by federal depository insurance or by collateral held by the pledging bank in the Town's name, \$2,768,671 was uninsured and uncollateralized, and \$267,090 held in short-term investments reported as cash equivalents.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 8,237,457
Cash per Statement of Net Position - Fiduciary Fund (Exhibit F-1)	249,450
Total cash and cash equivalents	<u>\$ 8,486,907</u>

NOTE 4 – RESTRICTED ASSETS

Restricted cash and cash equivalents in the proprietary funds at June 30, 2018 consisted of the following:

Water department:	
Water hookup fees	<u>\$ 168,407</u>
Sewer department:	
Sewer hookup fees	206,074
Sewer retainage	110,978
Total sewer department	<u>317,052</u>
Total restricted cash and cash equivalents	<u>\$ 485,459</u>

NOTE 5 – INVESTMENTS

Note 1-F describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

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The Town and discretely presented component unit had the following investments at June 30, 2018:

	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Thereafter	Total
Investments type:						
Certificates of deposit	\$ -	\$ 378,801	\$ 430,704	\$ -	\$ -	\$ 809,505
Common stock	9,758	-	-	-	-	9,758
Corporate bonds	-	25,356	24,937	87,724	-	138,017
Equity exchange traded funds	1,925,051	-	-	-	-	1,925,051
Equity mutual fund	206,579	-	-	-	-	206,579
Fixed income exchange traded funds	57,075	-	-	-	-	57,075
Fixed income mutual fund	25,247	-	-	-	-	25,247
Municipal bonds	-	25,018	89,636	58,889	32,790	206,333
New Hampshire Public Deposit Investment Pool	64,643	-	-	-	-	64,643
U.S. Government agency bonds	-	-	3,017	-	-	3,017
U.S. Treasury bonds	-	28,924	27,523	-	-	56,447
Total fair value	<u>\$ 2,288,353</u>	<u>\$ 458,099</u>	<u>\$ 575,817</u>	<u>\$ 146,613</u>	<u>\$ 32,790</u>	<u>\$ 3,501,672</u>

At June 30, 2018 the Town and discretely presented component unit had the following recurring fair value measurements and maturities:

	Valuation Measurement Method	Governmental Activities	Business-type Activities	Component Unit		Total
				Richards Free Library	Fiduciary Funds	
Certificates of deposit	Level 1	\$ 164,049	\$ 240,630	\$ -	\$ 404,826	\$ 809,505
Common stock	Level 1	4,194	-	-	5,564	9,758
Corporate bonds	Level 2	138,017	-	-	-	138,017
Equity exchange traded funds	Level 1	-	-	1,854,521	70,530	1,925,051
Equity mutual fund	Level 1	206,579	-	-	-	206,579
Fixed income exchange traded funds	Level 2	-	-	-	57,075	57,075
Fixed income mutual fund	Level 2	-	-	-	25,247	25,247
Municipal bonds	Level 2	206,333	-	-	-	206,333
New Hampshire Public Deposit Investment Pool	Level 2	64,643	-	-	-	64,643
U.S. Government agency bonds	Level 2	3,017	-	-	-	3,017
U.S. Treasury bonds	Level 2	56,447	-	-	-	56,447
		<u>\$ 843,279</u>	<u>\$ 240,630</u>	<u>\$ 1,854,521</u>	<u>\$ 563,242</u>	<u>\$ 3,501,672</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 Board of Selectmen do not have a formal investment policy and the Trustees of Trust Funds investment policy doesn't limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Credit Risk - The Board of Selectmen and Trustees of Trust Funds have no formal policy on managing credit risk; however, state law limits investments as explained in Note 1-F. The Town's investment pool had the following credit risk structure at June 30, 2018:

Investment Type	Credit Rating*	Fair Value	Percent of Grand Total
Corporate bonds	Aa	\$ 29,295	7.25%
Corporate bonds	A	25,356	6.28%
Corporate bonds	Baa	83,366	20.64%
		<u>138,017</u>	<u>34.18%</u>
Municipal bonds	Aa	173,543	42.98%
Municipal bonds	A	32,790	8.12%
		<u>206,333</u>	<u>51.10%</u>
U.S. Government agency bonds	NR	3,017	0.75%
U.S. Treasury bonds	Aaa	56,447	13.98%
Total		<u>\$ 403,814</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 Board of Selectmen and Trustees of Trust Funds do not have custodial credit risk policies for investments.

Concentration of Credit Risk – The Board of Selectmen and Trustees of Trust Fund place no limit on the amount it may invest in any one issuer. More than 5% of the Town's investments are in Bar Harbor Bank. These investments are 19% of the Town's total investments.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 2,938,430
Investments per Statement of Net Position - Fiduciary Funds (Exhibit F-1)	<u>563,242</u>
Total investments	<u>\$ 3,501,672</u>

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2018. The amount has been reduced by an allowance for an estimated uncollectible amount of \$35,521. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2018	\$ 1,409,135	\$ 1,409,135
Unredeemed (under tax lien):		
Levy of 2017	312,526	312,526
Levy of 2016	207,407	207,407
Levies of 2015 and prior	44,876	44,876
Yield	3,253	3,253
Land use change	3,720	3,720
Less: allowance for estimated uncollectible taxes	(35,521) *	-
Net taxes receivable	<u>\$ 1,945,396</u>	<u>\$ 1,980,917</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-B. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 7 – OTHER RECEIVABLES

Receivables at June 30, 2018, 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.

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Receivables as of June 30, 2018 for the Town's governmental and proprietary funds in the including applicable allowances for uncollectible accounts are as follows:

	Governmental Funds			Proprietary Funds		
	General	Nonmajor	Total	Water Department	Sewer Department	Total
Receivables:						
Accounts	\$ 703,526	\$ 653	\$ 704,179	\$ 316,950	\$ 323,849	\$ 640,799
Intergovernmental	135,788	406,362	542,150	43,448	66,054	109,502
Gross receivables	839,314	407,015	1,246,329	360,398	389,903	750,301
Less: allowance for uncollectibles	(339,683)	-	(339,683)	-	-	-
Net total receivables	<u>\$ 499,631</u>	<u>\$ 407,015</u>	<u>\$ 906,646</u>	<u>\$ 360,398</u>	<u>\$ 389,903</u>	<u>\$ 750,301</u>

NOTE 8 – PREPAID ITEMS

Prepaid items at June 30, 2018 consisted of the following:

	Exhibit	
	A	C-1
Insurance	\$ 46,494	\$ 46,494
Lease prepayments	-	15,464 *
Dues and fees	6,100	6,100
Postage	470	470
Fuel	15,211	15,211
Miscellaneous	37,592	37,592
Total	<u>\$ 105,867</u>	<u>\$ 121,331</u>

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

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 is as follows:

	Balance, beginning	Additions	Balance, ending
Business-type activities:			
At cost:			
Not being depreciated:			
Land	\$ 442,421	\$ -	\$ 442,421
Construction in progress	2,744,193	107,813	2,852,006
Total capital assets not being depreciated	<u>3,186,614</u>	<u>107,813</u>	<u>3,294,427</u>
Being depreciated:			
Buildings and building improvements	6,333,419	-	6,333,419
Machinery and equipment	1,734,448	24,745	1,759,193
Other improvements	4,953,720	16,000	4,969,720
Total capital assets being depreciated	<u>13,021,587</u>	<u>40,745</u>	<u>13,062,332</u>
Total all capital assets	<u>16,208,201</u>	<u>148,558</u>	<u>16,356,759</u>
Less accumulated depreciation:			
Buildings and building improvements	(4,364,512)	(158,838)	(4,523,350)
Machinery and equipment	(1,514,258)	(45,888)	(1,560,146)
Other improvements	(2,099,412)	(129,834)	(2,229,246)
Total accumulated depreciation	<u>(7,978,182)</u>	<u>(334,560)</u>	<u>(8,312,742)</u>
Net book value, capital assets being depreciated	<u>5,043,405</u>	<u>(293,815)</u>	<u>4,749,590</u>
Net book value, all business-type activities capital assets	<u>\$ 8,230,019</u>	<u>\$ (186,002)</u>	<u>\$ 8,044,017</u>

(Continued)

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Capital assets continued:

	Balance, beginning	Additions	Balance, ending
Discretely presented component unit:			
At cost:			
Being depreciated:			
Land improvements	\$ -	\$ 42,890	\$ 42,890
Buildings and building improvements	1,116,475	-	1,116,475
Total capital assets being depreciated	1,116,475	42,890	1,159,365
Total all capital assets	1,116,475	42,890	1,159,365
Less accumulated depreciation:			
Buildings and building improvements	(232,828)	(28,628)	(261,456)
Net book value, discretely presented component unit capital assets	<u>\$ 883,647</u>	<u>\$ 14,262</u>	<u>\$ 897,909</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:

Business-type activities:

Water	\$ 111,229
Sewer	223,331
	<u>\$ 334,560</u>

Discretely presented component unit:

Library	<u>\$ 28,628</u>
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NOTE 10 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of June 30, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
Governmental fund:		
General	Water	\$ 96,430
	Sewer	382,359
	Nonmajor	605,090
Nonmajor	General	27,989
		<u>1,111,868</u>
Business-type activities:		
Water	Sewer	70,903
		<u>\$ 1,182,771</u>

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

Interfund Transfers - The composition of interfund transfers for the year ended June 30, 2018 is as follows:

	Transfers In:		
	General Fund	Nonmajor Fund	Total
Transfers out:			
General fund	\$ -	\$ 169	\$ 169
Nonmajor fund	11,544	-	11,544
Total	<u>\$ 11,544</u>	<u>\$ 169</u>	<u>\$ 11,713</u>

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

NOTE 11 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$4,470,480 at June 30, 2018 consist of the following:

General fund:	
Property taxes levied prior to their due date and payable to:	
Sullivan County	\$ 613,708
Newport School District	3,353,399
New Hampshire Retirement System	96,855
Miscellaneous fees due to the State of New Hampshire and US Treasury	1,692
Total general fund	<u>4,065,654</u>
Agency fund:	
Trust funds held by the Town's Trustees of Trust Funds on behalf of the Newport School District	<u>404,826</u>
Total intergovernmental payables due	<u><u>\$ 4,470,480</u></u>

NOTE 12 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources at June 30, 2018 consists of the following:

	Governmental Activities	Proprietary Funds		
		Water Department	Sewer Department	Total
Amounts related to pensions, see Note 15	\$ 1,197,763	\$ 88,130	\$ 71,917	\$ 160,047
Amounts related to OPEB, see Note 16	47,930	3,527	2,878	6,405
Total deferred outflows of resources	<u>\$ 1,245,693</u>	<u>\$ 91,657</u>	<u>\$ 74,795</u>	<u>\$ 166,452</u>

Deferred inflows of resources at June 30, 2018 consists of the following:

	Governmental Activities	General Fund	Proprietary Funds		
			Water Department	Sewer Department	Total
Property taxes levied prior to their due date	\$ 2,482,915	\$ 2,482,915	\$ -	\$ -	\$ -
Property tax receivables not collected within 60 days of the end of the year*	-	490,834	-	-	-
Grant revenue collected in advance of eligible expenditures*	-	2,929	-	-	-
Amounts related to pensions, see Note 15	299,607	-	22,045	17,989	40,034
Amounts related to OPEB, see Note 16	1,124	-	83	67	150
Total deferred inflows of resources	<u>\$ 2,783,646</u>	<u>\$ 2,976,678</u>	<u>\$ 22,128</u>	<u>\$ 18,056</u>	<u>\$ 40,184</u>

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

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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, 2018
Capital lease obligations:		
Sidewalk plow	4.50%	\$ 42,509
SCBA Tanks	3.54%	167,290
Airport tractor	4.50%	45,536
Total capital lease obligations		<u>\$ 255,335</u>

The annual requirements to amortize the capital leases payable as of June 30, 2018, including interest payments, are as follows:

For Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 39,299 *	\$ 4,071	\$ 43,370
2020	50,452	8,383	58,835
2021	52,528	6,307	58,835
2022	38,095	4,144	42,239
2023	24,123	2,654	26,777
2024-2025	50,838	2,715	53,553
	<u>\$ 255,335</u>	<u>\$ 28,274</u>	<u>\$ 283,609</u>

*A prepayment of a capital lease was made as of June 30, 2018 in the amount of \$15,464, which was applied against the current portion of the lease due in the upcoming year.

NOTE 14 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2018:

	Balance July 1, 2017 (as restated)	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental activities:					
Note payable	\$ 310,669	\$ -	\$ (73,031)	\$ 237,638	\$ 76,026
Capital leases	114,878	196,290	(55,833)	255,335	39,299
Compensated absences	449,636	6,891	(21,663)	434,864	86,403
Net pension liability	6,294,820	-	(461,520)	5,833,300	-
Net other postemployment benefits	376,170	-	(20,127)	356,043	-
Total long-term liabilities	<u>\$ 7,546,173</u>	<u>\$ 203,181</u>	<u>\$ (632,174)</u>	<u>\$ 7,117,180</u>	<u>\$ 201,728</u>
Business-type activities:					
General obligation bonds and notes payable	\$ 2,752,626	\$ 45,616	\$ (84,244)	\$ 2,713,998	\$ 40,207
Compensated absences	96,601	13,203	-	109,804	21,180
Net pension liability	792,935	41,003	(54,482)	779,456	-
Net other postemployment benefits	50,264	-	(2,689)	47,575	-
Total long-term liabilities	<u>\$ 3,692,426</u>	<u>\$ 99,822</u>	<u>\$ (141,415)</u>	<u>\$ 3,650,833</u>	<u>\$ 61,387</u>

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Long-term bonds and notes are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2018
Governmental activities:					
Note payable:					
Pumper/rescue truck	\$ 900,000	2007	2021	4.100	\$ 237,638
Business-type activities:					
General obligation bonds and notes payable:					
Water treatment plant	\$ 1,050,000	1992	2022	5.500	81,033
Parkview sewer project	\$ 120,000	2005	2026	4.500	28,300
State revolving loan*	\$ 2,559,049	2013	-	-	2,559,049
State revolving loan*	\$ 45,616	2018	-	-	45,616
					<u>2,713,998</u>
Total					<u>\$ 2,951,636</u>

***Water Pollution Control Revolving Loan Fund Program** – Drawdowns received under the Water Pollution Control Revolving Loan Fund Program will be consolidated by a promissory note upon substantial completion of the related projects. 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, 2018, drawdowns received to date totaling \$2,604,665 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 repaid from the Water and Sewer department funds.

The annual requirements to amortize the **governmental activities** note payable outstanding as of June 30, 2018, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 76,026	\$ 9,739	\$ 85,765
2020	79,143	6,622	85,765
2021	82,469	3,295	85,764
Totals	<u>\$ 237,638</u>	<u>\$ 19,656</u>	<u>\$ 257,294</u>

The annual requirements to amortize the **business-type activities** note payable outstanding as of June 30, 2018, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 40,207	\$ 5,730	\$ 45,937
2020	40,207	3,559	43,766
2021	12,620	1,387	14,007
2022	4,000	734	4,734
2023	4,000	553	4,553
2024-2026	8,299	580	8,879
Totals	<u>\$ 109,333</u>	<u>\$ 12,543</u>	<u>\$ 121,876</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

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Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of June 30, 2018 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 Infrastructure Project	3,003,100
May 9, 2017	Coon Brook Road	144,000
May 8, 2018	1st, 2nd, 3rd, 4th, Knoll St.'s Infrastructure Project	73,123
May 8, 2018	Asset Management	60,000
May 8, 2018	SCADA System	107,500
		<u>\$ 12,529,361</u>

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 ¼ 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.

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Contributions: The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2018, the Town contributed 25.33% for police, 27.79% for fire and 11.08% for other employees. The contribution requirement for the fiscal year 2018 was \$525,699, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2018 the Town reported a total liability of \$6,612,756, of which \$5,833,300 reported in the governmental activities and \$779,456 reported in the business-type activities for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the Town's proportion was .13446047% which was an increase of .00117175% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Town recognized pension expense of \$665,524. At June 30, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental activities:		
Changes in proportion	\$ 135,061	\$ 151,076
Changes in assumptions	585,741	-
Differences between expected and actual experience	13,227	74,241
Net difference between projected and actual investment earnings on pension plan investments	-	74,290
Contributions subsequent to the measurement date	463,734	-
Total governmental activities	<u>1,197,763</u>	<u>299,607</u>
Business-type activities:		
Changes in proportion	18,048	20,187
Changes in assumptions	78,267	-
Differences between expected and actual experience	1,767	9,920
Net difference between projected and actual investment earnings on pension plan investments	-	9,927
Contributions subsequent to the measurement date	61,965	-
Total business-type activities	<u>160,047</u>	<u>40,034</u>
Grand total	<u>\$ 1,357,810</u>	<u>\$ 339,641</u>

The \$525,699 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, 2018. 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
2018	\$ 75,678	\$ 10,112	\$ 85,790
2019	245,227	32,768	277,995
2020	201,036	26,863	227,899
2021	(87,519)	(11,695)	(99,214)
Totals	<u>\$ 434,422</u>	<u>\$ 58,048</u>	<u>\$ 492,470</u>

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Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions which, accordingly apply to 2017 measurements:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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. Following is a table presenting target allocations and long-term rates of return for 2017:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2017
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	0.75%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	2.11%
Absolute Return Fixed Income	7.00%	1.26%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.84%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 7.25%. 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.

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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 7.25% 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	\$ 8,711,974	\$ 6,612,756	\$ 4,892,530

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

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

16-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2017 Comprehensive Annual Financial Report, which can be found on the system's website at www.nhrs.org.

Benefits Provide - Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal years 2017 and 2016 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2017, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2018, the Town contributed 4.10% for police and fire, and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$54,063, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2018, the Town reported a total liability of \$403,618, of which \$356,043 reported in the governmental activities and \$47,575 reported in the business-type activities for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an

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actuarial valuation as of that date. The Town's proportion of the net OPEB liability was based on a projection of the Town's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2017, the Town's proportion was .08827388% which was an increase of .00018676% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized OPEB expense of \$30,505. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental activities:		
Changes in proportion	\$ 240	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	1,124
Contributions subsequent to the measurement date	47,690	-
Total governmental activities	<u>47,930</u>	<u>1,124</u>
Business-type activities:		
Changes in proportion	32	-
Net difference between projected and actual investment earnings on pension plan investments	-	150
Contributions subsequent to the measurement date	6,373	-
Total business-type activities	<u>6,405</u>	<u>150</u>
Grand total	<u>\$ 54,335</u>	<u>\$ 1,274</u>

The \$54,063 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Governmental Activities	Business-type Activities	Total
2018	\$ (41)	\$ (5)	\$ (46)
2019	(281)	(37)	(318)
2020	(281)	(37)	(318)
2021	(282)	(38)	(320)
2022	-	-	-
Totals	<u>\$ (885)</u>	<u>\$ (117)</u>	<u>\$ (1,002)</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2016 and a measurement date of June 30, 2017. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.5 % per year
Wage inflation:	3.25 % per year
Salary increases:	5.6 % average, including inflation
Investment rate of return:	7.25 % net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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Long-term Rates of Return – The long-term expected rate of return on OPEB 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. Following is a table presenting target allocations and long-term rates of return for 2017:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2017</u>
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	0.75%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	2.11%
Absolute Return Fixed Income	7.00%	1.26%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.84%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2017 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the OPEB liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	\$ 439,257	\$ 403,618	\$ 372,740

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

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16-B Town of Newport Retiree Health Benefit Program

The Town provides postemployment benefit options for health care to eligible retirees, terminated employees and their dependents at the employees full cost. The Governmental Accounting Standards Board (GASB) has determined that the effect of including the retirees in the health plan creates increased plan costs for current employees which is an implied cost to the Town. Expenses for the implied cost of providing health insurance to currently enrolled retirees are recognized in the individual funds of the financial statements as payments are made for the current employees plans.

The GASB issued Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in 2015. GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The Town has not fully implemented GASB Statement No. 75 at June 30, 2018, or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the Town. The amounts that should be recorded as the net OPEB liability and the OPEB expense is unknown.

NOTE 17 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at June 30, 2018 and are as follows:

General fund:	
General government	\$ 205,568
Public safety	66,000
Highways and streets	21,288
Sanitation	1,561
Culture and recreation	5,309
Capital outlay	233,254
Total encumbrances	<u>\$ 532,980</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	\$ 66,054
Guild station	43,448
Total	<u>\$ 109,502</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, 2018 the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending	Amount
June 30,	
2019	\$ 24,073
2020	24,073
2021	24,073
2022	24,073
2023	13,210
	<u>\$ 109,502</u>

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NOTE 19 – NET POSITION

Net position reported on the government-wide Statement of Net Position at June 30, 2018 include the following:

	Governmental Activities	Business-type Activities	Total	Component Unit
Net investment in capital assets:				
Net property, buildings, and equipment	\$ -	\$ 8,044,017	\$ 8,044,017	\$ 897,909
Less:				
General obligation bonds payable	(237,638)	(2,713,998)	(2,951,636)	-
Capital leases payable	(255,335)	-	(255,335)	-
Total net investment in capital assets	(492,973)	5,330,019	4,837,046	897,909
Restricted net position:				
Airport	23,415	-	23,415	-
Police drug forfeiture	8,032	-	8,032	-
Capital projects	561,673	-	561,673	-
Nonexpendable permanent funds	618,742	-	618,742	-
Expendable permanent funds	9,891	-	9,891	-
Library purposes	-	-	-	2,040,775
Total restricted net position	1,221,753	-	1,221,753	2,040,775
Unrestricted	(3,083,444)	883,979	(2,199,465)	-
Total net position	\$ (2,354,664)	\$ 6,213,998	\$ 3,859,334	\$ 2,938,684

NOTE 20 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2018 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 106,120	\$ 15,211	\$ 121,331
Tax deeded property, subject to resale	212,662	-	212,662
Inventory	-	23,415	23,415
Permanent fund - principal balance	-	618,742	618,742
Total nonspendable fund balance	318,782	657,368	976,150
Restricted:			
Police drug forfeiture	-	8,032	8,032
Town hall improvements	-	495,641	495,641
Bridge	-	66,032	66,032
Permanent fund - income balance	-	9,891	9,891
Total restricted fund balance	-	579,596	579,596
Committed:			
Expendable trust	164,050	-	164,050
Conservation commission	-	36,156	36,156
Police details	-	28,642	28,642
Bald Mt TIF District	-	236,169	236,169
Recreation revolving	-	164,024	164,024
Total committed fund balance	164,050	464,991	629,041

(continued)

TOWN OF NEWPORT, NEW HAMPSHIRE
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Governmental fund balances continued:

Assigned:			
Encumbrances	532,980	-	532,980
CDBG revolving loan	53,049	-	53,049
Ambulance	-	11,872	11,872
Neighborhood improvement	-	64,396	64,396
Total assigned fund balance	<u>586,029</u>	<u>76,268</u>	<u>662,297</u>
Unassigned (deficit):			
General	588,879	-	588,879
Airport (deficit)	-	(47,311)	(47,311)
Total unassigned (deficit)	<u>588,879</u>	<u>(47,311)</u>	<u>541,568</u>
Total governmental fund balances	<u>\$ 1,657,740</u>	<u>\$ 1,730,912</u>	<u>\$ 3,388,652</u>

NOTE 21 – PRIOR PERIOD ADJUSTMENTS

Net position at July 1, 2017 was restated to give retroactive effect to the following prior period adjustments:

	Governmental Activities	Business-type Activities	Water Department	Sewer Department
To record the changes associated with GASB Statement No. 75	\$ (330,017)	\$ (44,097)	\$ (24,282)	\$ (19,815)
To record capital lease, not reported in previous years	(59,402)	-	-	-
To adjust for understatement of compensated absence liability	(175,438)	-	-	-
Net position, as previously reported	<u>(1,360,996)</u>	<u>7,114,729</u>	<u>2,570,833</u>	<u>4,543,896</u>
Net position, as restated	<u>\$ (1,925,853)</u>	<u>\$ 7,070,632</u>	<u>\$ 2,546,551</u>	<u>\$ 4,524,081</u>

NOTE 22 – 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 2018, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2017 to June 30, 2018 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 23 – RELATED PARTY TRANSACTIONS

Financial reporting standards require disclosure of significant related-party transactions, including the nature of the relationship, a description of the transactions, dollar amounts of the transaction, and amounts due to or due from the related party at the financial statement date. The Economic Corporation of Newport, Inc. (ECON) is a separate 501(c)3 non-profit entity formed under the direction of the 1991 Town of Newport Town Meeting for the development of economic projects and relationships to benefit the Town. The Town Manager is an automatic member of the ECON Board, but the Board is self-appointing for all other members. While not a component unit, ECON does qualify as a related party.

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The Town and ECON have many interactions through the course of the year. One ongoing activity is the Town managing the Ash Landfill owned by ECON as a contracted service. For the year ended June 30, 2018, the contract was in the amount of \$27,833 plus any additional costs, and at June 30, 2018 the Town has reported a receivable of \$101,333.

NOTE 24 – 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 25 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. No such programs or agreements were identified that would require financial statement disclosure.

NOTE 26 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through February 22, 2019, the date the June 30, 2018 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

In October 2018, the Town entered into a settlement agreement with Penta Corporation; AECOM Technical Services, Inc.; and Westech Engineering, the parties in an ongoing lawsuit related to the construction of a phosphorus removal system at the Town's Wastewater Treatment Plant. All claims and counterclaims in the case were released and the Town will receive net payments totaling \$3,325,000 as a settlement payment. The Town will record those payments and assess the impairment of any related assets in fiscal year 2019.

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, 2018

	June 30,				
	2014	2015	2016	2017	2018
Town's proportion of the net pension liability	0.13933736%	0.12912300%	0.13508581%	0.13328872%	0.13446047%
Town's proportionate share of the net pension liability	\$ 5,996,780	\$ 4,846,743	\$ 5,351,461	\$ 7,087,755	\$ 6,612,756
Town's covered payroll	\$ 2,974,004	\$ 2,934,611	\$ 3,025,088	\$ 3,017,829	\$ 3,164,216
Town's proportionate share of the net pension liability as a percentage of its covered payroll	201.64%	165.16%	176.90%	234.86%	208.99%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.81%	65.47%	58.30%	62.66%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

EXHIBIT H
TOWN OF NEWPORT, NEW HAMPSHIRE
Schedule of Town Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

	June 30,				
	2014	2015	2016	2017	2018
Contractually required contribution	\$ 346,467	\$ 418,905	\$ 453,197	\$ 477,279	\$ 492,587
Contributions in relation to the contractually required contributions	346,467	418,905	453,197	477,279	492,587
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 2,974,004	\$ 2,934,611	\$ 3,025,088	\$ 3,017,829	\$ 3,164,216
Contributions as a percentage of covered payroll	11.65%	14.27%	14.98%	15.82%	15.57%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

TOWN OF NEWPORT, NEW HAMPSHIRE

***NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2018***

***Schedule of the Town's Proportionate Share of Net Pension Liability and
Schedule of Town Contributions - Pensions***

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, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2017:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	22 years beginning July 1, 2017 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.56% per year
Investment Rate of Return	7.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP -2015, based in the last experience study.

Other Information:

Notes	Contribution rates for Fiscal Year 2017 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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EXHIBIT I
TOWN OF NEWPORT, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefit Plan Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

	June 30,	
	2017	2018
Town's proportion of the net OPEB liability	0.08808712%	0.08827388%
Town's proportionate share of the net OPEB liability (asset)	\$ 426,434	\$ 403,618
Town's covered payroll	\$ 3,017,829	\$ 3,164,216
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	14.13%	12.76%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%

The Note to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT J
TOWN OF NEWPORT, NEW HAMPSHIRE
Schedule of Town Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

	June 30,	
	2017	2018
Contractually required contribution	\$ 51,184	\$ 52,320
Contributions in relation to the contractually required contribution	51,184	52,320
Contribution deficiency (excess)	\$ -	\$ -
Town's covered payroll	\$ 3,017,829	\$ 3,164,216
Contributions as a percentage of covered payroll	1.70%	1.65%

The Note to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

***Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability and
Schedule of Town Contributions – Other Postemployment Benefits***

As required by GASB Statement No. 75, Exhibits I and J represent the actuarial determined costs associated with the Town's other postemployment benefits at June 30, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.56% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

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, 2018

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 4,760,342	\$ 4,906,700	\$ 146,358
Land use change	15,000	3,720	(11,280)
Yield	20,000	16,710	(3,290)
Excavation	3,000	2,510	(490)
Payment in lieu of taxes	91,586	91,547	(39)
Interest and penalties on taxes	175,000	129,123	(45,877)
Total from taxes	<u>5,064,928</u>	<u>5,150,310</u>	<u>85,382</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	1,100,000	1,112,319	12,319
Building permits	20,000	15,830	(4,170)
Other	24,000	27,437	3,437
Total from licenses, permits, and fees	<u>1,144,000</u>	<u>1,155,586</u>	<u>11,586</u>
Intergovernmental:			
State:			
Meals and rooms distribution	332,480	332,480	-
Highway block grant	181,807	181,704	(103)
Other	-	17,521	17,521
Federal:			
Other	8,387	19,103	10,716
Total from intergovernmental	<u>522,674</u>	<u>550,808</u>	<u>28,134</u>
Charges for services:			
Income from departments	<u>671,128</u>	<u>548,138</u>	<u>(122,990)</u>
Miscellaneous:			
Sale of municipal property	15,000	16,712	1,712
Interest on investments	15,000	43,514	28,514
Rent of property	100,000	111,367	11,367
Insurance dividends and reimbursements	30,000	30,163	163
Contributions and donations	100,000	102,415	2,415
Total from miscellaneous	<u>260,000</u>	<u>304,171</u>	<u>44,171</u>
Other financing sources:			
Transfers in	<u>12,000</u>	<u>11,544</u>	<u>(456)</u>
Total revenues and other financing sources	<u>\$ 7,674,730</u>	<u>\$ 7,720,557</u>	<u>\$ 45,827</u>

SCHEDULE 2
TOWN OF NEWPORT, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 107,655	\$ 168,471	\$ 261,529	\$ 7,000	\$ 7,597
Election and registration	-	148,583	141,745	-	6,838
Financial administration	5,004	348,907	326,185	2,000	25,726
Revaluation of property	83,934	153,029	219,454	5,000	12,509
Legal	29,274	45,000	175,707	129,201	(230,634)
Personnel administration	-	-	-	6,000	(6,000)
Planning and zoning	-	103,738	108,671	-	(4,933)
General government buildings	88,853	521,034	530,881	31,794	47,212
Cemeteries	-	8,552	5,666	-	2,886
Insurance, not otherwise allocated	-	1	-	-	1
Advertising and regional associations	-	24,524	14,477	10,000	47
Other	15,000	151,666	112,261	14,573	39,832
Total general government	329,720	1,673,505	1,896,576	205,568	(98,919)
Public safety:					
Police	28,700	1,674,817	1,603,815	20,000	79,702
Ambulance	5,000	517,764	401,174	5,000	116,590
Fire	37,500	560,447	611,945	41,000	(54,998)
Building inspection	-	42,549	45,424	-	(2,875)
Emergency management	5,000	5,569	6,233	-	4,336
Other	-	471,880	469,322	-	2,558
Total public safety	76,200	3,273,026	3,137,913	66,000	145,313
Highways and streets:					
Public works garage	61,500	323,364	324,521	12,000	48,343
Highways and streets	11,492	1,026,416	962,385	9,288	66,235
Bridges	-	8,673	5,529	-	3,144
Street lighting	30,000	80,535	64,765	-	45,770
Total highways and streets	102,992	1,438,988	1,357,200	21,288	163,492
Sanitation:					
Solid waste collection	1,000	2,300	1,506	1,561	233
Health:					
Administration	-	2,623	3,476	-	(853)
Health agencies	-	20,500	20,500	-	-
Total health	-	23,123	23,976	-	(853)
Welfare:					
Administration	-	38,620	35,383	-	3,237
Direct assistance	-	105,000	171,301	-	(66,301)
Total welfare	-	143,620	206,684	-	(63,064)
Culture and recreation:					
Parks and recreation	5,000	357,471	334,901	-	27,570
Library	4,000	342,500	342,581	4,000	(81)
Patriotic purposes	1,554	2,001	4,066	1,309	(1,820)
Total culture and recreation	10,554	701,972	681,548	5,309	25,669
Conservation	-	-	410	-	(410)

(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, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	72,373	73,031	-	(658)
Interest on long-term debt	-	13,394	12,734	-	660
Interest on tax anticipation notes	-	1	-	-	1
Other	-	43,464	44,464	-	(1,000)
Total debt service	-	129,232	130,229	-	(997)
Capital outlay	666,816	273,963	743,742	233,254	(36,217)
Other financing uses:					
Transfers out	-	15,001	15,169	-	(168)
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 1,187,282	\$ 7,674,730	\$ 8,194,953	\$ 532,980	\$ 134,079

SCHEDULE 3
TOWN OF NEWPORT, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended June 30, 2018

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 812,150
Changes:		
2017-2018 Budget summary:		
Revenue surplus (Schedule 1)	\$ 45,827	
Unexpended balance of appropriations (Schedule 2)	<u>134,079</u>	
2017-2018 Budget surplus		179,906
Decrease in nonspendable fund balance		<u>52,136</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		1,044,192
Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis		
Deferred inflows of resources for property taxes not collected within 60 days of the fiscal year-end		(490,834)
Allowance for uncollectible property taxes not recognized on GAAP basis		<u>35,521</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 588,879</u></u>

SCHEDULE 4
TOWN OF NEWPORT, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue Funds					
	Ambulance	Airport	Conservation Commission	Grants	Neighborhood Improvement	CDBG
ASSETS						
Cash and cash equivalents	\$ 15,244	\$ 261,644	\$ 36,489	\$ -	\$ 64,396	\$ -
Investments	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Intergovernmental receivable	-	-	-	54,043	-	167,674
Interfund receivable	-	-	-	-	-	-
Inventory	-	23,415	-	-	-	-
Prepaid items	-	15,211	-	-	-	-
Total assets	<u>\$ 15,244</u>	<u>\$ 300,270</u>	<u>\$ 36,489</u>	<u>\$ 54,043</u>	<u>\$ 64,396</u>	<u>\$ 167,674</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund payable	3,372	308,955	333	54,043	-	148,447
Retainage payable	-	-	-	-	-	19,227
Total liabilities	<u>3,372</u>	<u>308,955</u>	<u>333</u>	<u>54,043</u>	<u>-</u>	<u>167,674</u>
FUND BALANCES (DEFICIT)						
Nonspendable	-	38,626	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	36,156	-	-	-
Assigned	11,872	-	-	-	64,396	-
Unassigned (deficit)	-	(47,311)	-	-	-	-
Total fund balances (deficit)	<u>11,872</u>	<u>(8,685)</u>	<u>36,156</u>	<u>-</u>	<u>64,396</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 15,244</u>	<u>\$ 300,270</u>	<u>\$ 36,489</u>	<u>\$ 54,043</u>	<u>\$ 64,396</u>	<u>\$ 167,674</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		
\$ -	\$ 236,169	\$ 164,024	\$ 8,492	\$ 455,424	\$ -	\$ 25,591	\$ 1,267,473
-	-	-	-	-	-	614,586	614,586
653	-	-	-	-	-	-	653
-	-	-	-	40,217	144,428	-	406,362
27,989	-	-	-	-	-	-	27,989
-	-	-	-	-	-	-	23,415
-	-	-	-	-	-	-	15,211
<u>\$ 28,642</u>	<u>\$ 236,169</u>	<u>\$ 164,024</u>	<u>\$ 8,492</u>	<u>\$ 495,641</u>	<u>\$ 144,428</u>	<u>\$ 640,177</u>	<u>\$ 2,355,689</u>
\$ -	\$ -	\$ -	\$ 460	\$ -	\$ -	\$ -	\$ 460
-	-	-	-	-	78,396	11,544	605,090
-	-	-	-	-	-	-	19,227
-	-	-	460	-	78,396	11,544	624,777
-	-	-	-	-	-	618,742	657,368
-	-	-	8,032	495,641	66,032	9,891	579,596
28,642	236,169	164,024	-	-	-	-	464,991
-	-	-	-	-	-	-	76,268
-	-	-	-	-	-	-	(47,311)
<u>28,642</u>	<u>236,169</u>	<u>164,024</u>	<u>8,032</u>	<u>495,641</u>	<u>66,032</u>	<u>628,633</u>	<u>1,730,912</u>
<u>\$ 28,642</u>	<u>\$ 236,169</u>	<u>\$ 164,024</u>	<u>\$ 8,492</u>	<u>\$ 495,641</u>	<u>\$ 144,428</u>	<u>\$ 640,177</u>	<u>\$ 2,355,689</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, 2018

	Special Revenue Funds					
	Ambulance	Airport	Conservation Commission	Grants	Neighborhood Improvement	CDBG
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	517	-	79,211	-	336,841
Charges for services	-	139,157	-	-	-	-
Miscellaneous	155	589	285	-	386	-
Total revenues	155	140,263	285	79,211	386	336,841
EXPENDITURES						
Current:						
General government	-	-	-	8,551	-	336,841
Public safety	3,372	-	-	70,660	-	-
Highways and streets	-	-	-	-	-	-
Airport operations	-	146,545	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Conservation	-	-	9,958	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	3,372	146,545	9,958	79,211	-	336,841
Excess (deficiency) of revenues over (under) expenditures	(3,217)	(6,282)	(9,673)	-	386	-
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	(3,217)	(6,282)	(9,673)	-	386	-
Fund balances (deficit), beginning	15,089	(2,403)	45,829	-	64,010	-
Fund balances (deficit), ending	\$ 11,872	\$ (8,685)	\$ 36,156	\$ -	\$ 64,396	\$ -

Special Revenue Funds				Capital Project Funds		Permanent Fund	Total
Police Details	Bald Mt TIF District	Recreation Revolving	Police Drug Forfeiture	Town Hall Improvements	Bridge		
\$ -	\$ 52,137	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,137
-	-	-	831	-	189,044	-	606,444
48,815	-	33,663	-	-	-	-	221,635
-	-	30	6	65,642	-	23,490	90,583
48,815	52,137	33,693	837	65,642	189,044	23,490	970,799
-	18,000	-	-	-	250	-	363,642
40,672	-	-	460	-	-	-	115,164
-	-	-	-	-	593	-	593
-	-	-	-	-	-	-	146,545
-	-	31,238	-	-	-	-	31,238
-	-	-	-	-	-	-	9,958
-	-	-	-	37,710	235,463	-	273,173
40,672	18,000	31,238	460	37,710	236,306	-	940,313
8,143	34,137	2,455	377	27,932	(47,262)	23,490	30,486
-	-	-	-	-	169	-	169
-	-	-	-	-	-	(11,544)	(11,544)
-	-	-	-	-	169	(11,544)	(11,375)
8,143	34,137	2,455	377	27,932	(47,093)	11,946	19,111
20,499	202,032	161,569	7,655	467,709	113,125	616,687	1,711,801
\$ 28,642	\$ 236,169	\$ 164,024	\$ 8,032	\$ 495,641	\$ 66,032	\$ 628,633	\$ 1,730,912