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May 14, 2020

To the Members of the Board of Selectmen and Town Manager
Town of Newport
15 Sunapee Street
Newport, NH 03773

Dear Members of the Board and Town Manager:

We have audited the 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 for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 21, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Newport are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2018-2019. We noted no transactions entered into by the Town of Newport during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Town of Newport's financial statements were:

Management's estimate of the capital asset useful lives is based on historical information and industry guidance. We evaluated the key factors and assumptions used to develop the capital asset useful lives in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for uncollectible property taxes are based on historical data and information known concerning the assessment appeals. We evaluated the key factors and assumptions used to develop the uncollectible property taxes in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the uncollectible ambulance receivables is based on knowledge of past collection rates. We evaluated the key factors and assumptions used to develop the uncollectible ambulance receivables in determining that it is reasonable in relation to the financial statements taken as a whole.

PLODZIK & SANDERSON, P.A.
Certified Public Accountants

Management's estimate of the net pension liability, deferred outflows and inflows of resources related to pensions are based on assumptions of future events, such as employment, mortality and estimates of value of reported amounts. We evaluated the key factors and assumptions used to develop the net pension liability, deferred outflows and inflows of resources related to pensions in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the other postemployment benefit liability, deferred outflows and inflows of resources are based on the assumption of future events, such as employment, mortality and the healthcare cost trend, as well as estimates of the value of reported amounts. We evaluated key factors and assumptions used to develop the other postemployment benefits liability, deferred outflows and inflows of resources related to the other postemployment benefits in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 1, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town of Newport's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town of Newport's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

- We noted that the Town has not adopted a fund balance policy in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 54, *Fund Balance and Governmental Fund Type Definitions*. We recommend that the Board of Selectmen formally adopt such a policy in order to comply with applicable accounting standards.
- In review of Town policies, we identified that the Board of Selectmen does not have a formally adopted investment policy, capital assets policy, purchasing policy, or risk assessment policy. We recommend that the Board of Selectmen review these areas and work to formally adopt these policies in the near future.



- In order to better address the risk of management override of internal controls, we recommend that all adjusting journal entries are reviewed and approved. Entries posted by the Accounting Clerk, should be reviewed and approved by the Finance Director and entries posted by the Finance Director, should be reviewed and approved by the Town Manager.
- While performing our testing over the capital assets of the water and sewer departments, it was identified that several fully depreciated assets, that are no longer in use, are still included on the listing. Although this does not impact net position, we recommend that the listing is reviewed annually and only reflects assets that are still in use.
- In review of the Recreation Revolving Fund, it was identified that adequate source documentation was not being retained to support cash receipts/deposits. Additionally, it was identified that the lock box used to store cash receipts is readily accessible by numerous individuals, as the location of the key is well known. It is recommended that adequate documentation is retained to support all cash receipts/deposits. Additionally, it is recommended that while funds are awaiting deposit, they are kept in a locked, secure location with access limited to those making deposits or remittances to the finance office.
- In review of the cash receipt process, it was identified that it could not be readily determined when checks had been received by the Town. It is recommended that either a check log is completed, detailing the day of receipt or that check's or other supporting documentation are date stamped when received. That way, either through independent audit or review of the Town's finance department, all funds can be traced back to a date of receipt.
- Per review of the Trustees of Trust Funds internal control policy, it was identified that the policy has not been reviewed since 2011. To ensure the internal control policy is still relevant to the current environment, it is recommended that all financial policies are reviewed every three to five years. Additionally, it was identified that the Trustees of Trust Funds investment policy has not been reviewed and reaffirmed during fiscal year 2019, as required by State Statutes. We recommend that the investment policy is reviewed and reaffirmed on an annual basis.
- While testing year-end cash balances of the Library Arts Center, it was noted that the bank reconciliation contained several stale dated outstanding checks and "general journal entries" listed as reconciling items. First, it is recommended that the payees are contacted to determine the next course of action (cancel/reissue or turn over to State of NH as abandoned property) and second, use technical support from QuickBooks to determine how to address and clear "general journal entries" listed as reconciling items.
- During our review of the controls and procedures of the Library Arts Center, we identified a lack of segregation of duties pertaining to cash disbursements, as the Executive Director has the ability to approve payments (authorization), prepare and sign checks (custody of assets), and post activity to the general ledger (record-keeping). Additionally, we identified one instance in which the credit card payment was made by the Executive Director, rather than the Treasurer. We recommend that either the Executive Director is removed as an authorized signor on the account or adjusts personnel responsibilities in this control area to separate the authorization, custody of assets, and record-keeping functions. Additionally, we recommend that the Library Arts Center adheres to their policy and ensure that the credit card payments are only made by the Treasurer.

Other Matters

Implementation of New GASB Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements.

GASB Statement No. 84, *Fiduciary Activities*, issued in January 2017, will be effective for the Town beginning with its fiscal year ending June 30, 2020. This Statement will improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 87, *Leases*, issued in June 2017, will be effective for the Town with its fiscal year ending June 30, 2021. This Statement will improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.



GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, issued June 2018, will be effective for the Town with its fiscal year ending June 30, 2021. This Statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61*, issued August 2018, will be effective for the Town with its fiscal year ending June 30, 2020. This Statement will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

GASB Statement No. 91, *Conduit Debt Obligations*, issued May 2019, will be effective for the Town with its fiscal year ending June 30, 2022. This Statement will provide a single method of reporting conduit debt obligations and eliminate differences in practice.

We applied certain limited procedures to the following, which are required supplementary information (RSI) that supplements 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 Town Contributions – Other Postemployment Benefits,
- Notes to the Required Supplementary Information

Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund schedules, and Schedule of Expenditures of Federal Awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the members of the Board of Selectmen, Town Manager, and management of the Town of Newport and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully,



PLODZIK & SANDERSON
Professional Association



**TOWN OF NEWPORT,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**

TOWN OF NEWPORT, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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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, 2019, 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 has not been determined.

As also discussed in Note 1-B to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for the single employer other postemployment benefits in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position and increase the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities has not been determined.

***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 governmental activities of the Town of Newport, as of June 30, 2019, 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, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the 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 Town Contributions – Other Postemployment Benefits,
- Note 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining and individual fund schedules and the Schedule of Expenditures of Federal Awards 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 and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2020 on our consideration of the Town of Newport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe

Town of Newport
Independent Auditor's Report

the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Newport's internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Newport's internal control over financial reporting and compliance.

May 1, 2020

Sheryl A. Platt, CPA
PLODZIK & SANDERSON
Professional Association

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2019

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, 2019. Please read it in conjunction with the Town's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

For the year ended June 30, 2019:

- The Town's total net position was \$3,956,672, an increase from the prior year of \$97,338 or 2.5%, which consisted of (\$4,480,191) for Governmental Activities and \$8,436,863 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 \$7,294,194, a decrease from the prior year of \$749,823, or 9.3%. Depreciation expense for 2019 was \$293,252. The Town wrote off \$820,245 of compromised assets resulting from a failed Waste Water Treatment Plant (WWTP) upgrade.
- The total long-term obligations for the Town were \$12,790,336, an increase of \$2,022,323 from the prior year, or 18.8%.
- The unassigned fund balance of the General Fund was \$317,684, a decrease of the prior year's balance of \$271,195, or 46.1%. In the adoption of the budget for the 2019 year, there was a planned \$246,700 use of General Fund fund balance.
- The Town settled its long running lawsuit with engineers and contractors for the WWTP upgrade. The Town received a net \$3,435,997 settlement which has been recorded as a Special Item in the Business-Type Activities (Sewer Fund). As noted above, the Town wrote off compromised assets related to the WWTP upgrade, which was also recorded as a Special Item in the Business-Type Activities (Sewer Fund).

Subsequent to year end, the NH Department of Environmental Services called the debt associated with the WWTP upgrade. The Town requested, and received, approval for an emergency appropriation from the NH Department of Revenue under NHRSA 32:11, utilizing Sewer Fund retained earnings as the source of funding. In December of 2019, the Town paid the debt, \$3,239,160 and accrued interest, \$186,153. As of June 30, 2019, the Town recorded \$172,612 in accrued interest on this debt.

- The Town's Bridges Capital Projects Fund (CPF) recorded revenues and other financial sources; and expenditures and other financing uses of \$1,157,377 and \$1,446,721 and the 1st, 2nd, 3rd, 4th, Knolls Sts CPF recorded \$1,877,565 in each. These items are recorded as Governmental Activities in the Statement of Net Position and Statement of Activities.

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2019

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of two types of statements:

Government-Wide Financial Statements

The Statement of Net Position, page 13, and the Statement of Activities, page 14, are designed to report the Town's financial activities in a manner similar to private-sector companies. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, thereby reporting all current year revenue and expenses regardless of when cash is paid or received. These two statements report the Town's net position and changes in them. Over time, increases or decreases in net position may serve as one useful indicator of whether the financial health of the Town is improving or deteriorating.

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

- **Governmental Activities** - Most of the Town's basic services are reported in this section. These include general government, police, ambulance, fire, public works, sanitation, 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, 2018 and the Statement of Activities is for the period January 1, 2018 to December 31, 2018.

Fund Financial Statements

The Fund Financial Statements begin on page 15, 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, 2019

- **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, 2019:

Statement of Net Position

The following summarizes the Statement of Net Position, presented on page 13.

	2019			2018 Total
	Governmental Activities	Business-Type Activities	Total	
Current Assets	\$11,490,233	\$ 5,918,280	\$17,408,513	\$ 13,079,399
Noncurrent Assets (net)	-	7,379,623	7,379,623	8,044,017
Total Assets	11,490,233	13,297,903	24,788,136	21,123,416
Deferred Outflows of Resources	1,081,734	132,548	1,214,282	1,412,145
Current Liabilities	5,632,224	3,981,563	9,613,787	5,084,384
Non-current Liabilities	8,301,026	943,413	9,244,439	10,768,013
Total Liabilities	13,933,250	4,924,976	18,858,226	15,852,397
Deferred Inflows of Resources	3,118,908	68,612	3,187,520	2,823,830
Net investment in capital assets	(2,285,945)	3,852,979	1,567,034	4,837,646
Restricted net position	1,215,237	-	1,215,237	1,221,753
Unrestricted net position	(3,409,483)	4,583,884	1,174,401	(2,199,465)
Total Net Position	\$ (4,480,191)	\$ 8,436,863	\$ 3,956,672	\$ 3,859,934

- **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.

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2019

- 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 14.

	2019		
	Governmental Activities	Business-Type Activities	2018 Total
		Total	
Program Revenues			
Charges for service	\$828,278	\$1,568,417	\$2,396,695
Operating grants and contributions	338,663	29,554	368,217
Capital grants and contributions	1,157,377		1,157,377
General Revenues			
Taxes	5,207,266		5,207,266
Licenses and permits	1,263,121		1,263,121
Unrestricted grants and contributions	702,092		702,092
Miscellaneous	503,662	30,391	534,053
Total Revenues	10,000,459	1,628,362	11,628,821
Expenses			
General government	2,064,750		2,064,750
Public safety	3,654,018		3,654,018
Highways and Streets	5,063,377		5,063,377
Airport operations	137,426		137,426
Sanitation	3,597		3,597
Health	22,777		22,777
Welfare	198,683		198,683
Culture and recreation	884,244		884,244
Conservation	385		385
Economic Development	30,444		30,444
Interest on long-term debt	66,285		66,285
Water department		794,650	794,650
Sewer department		1,226,599	1,226,599
Total Expenses	12,125,986	2,021,249	14,147,235
Special Items			
Legal Settlement		3,435,997	3,435,997
Loss on capital asset disposition		(820,245)	(820,245)
Net Special Items	-	2,615,752	2,615,752
Change in Net Position	(\$2,125,527)	\$2,222,865	\$97,338
			(\$1,285,445)

TOWN OF NEWPORT, NH

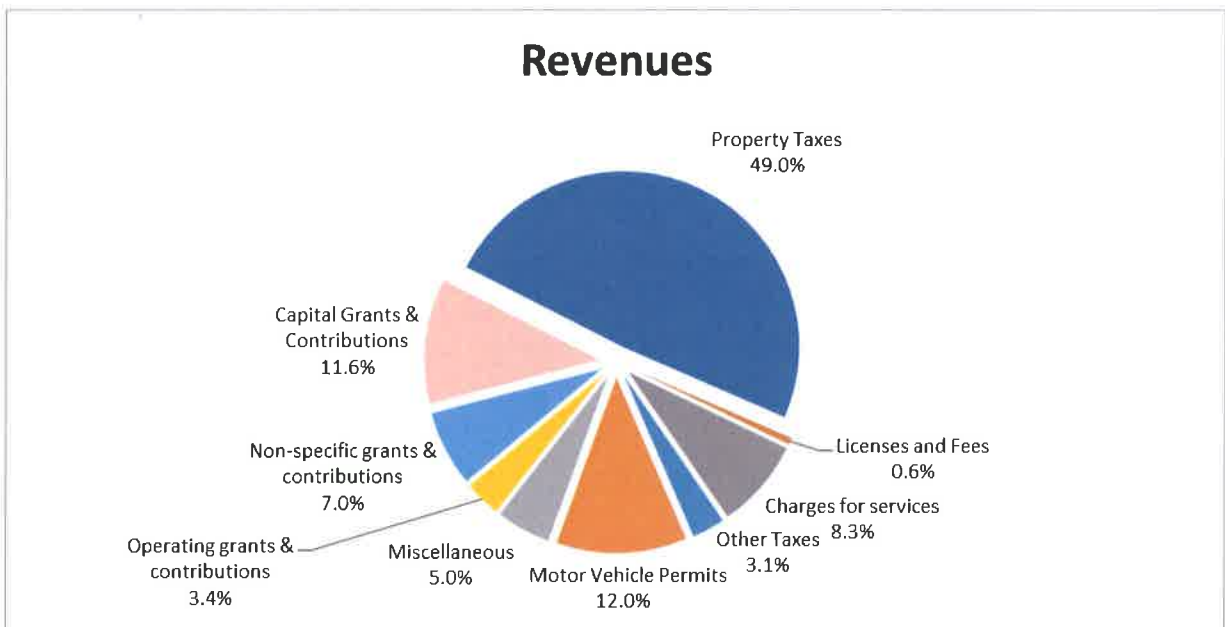
Management's Discussion and Analysis Calendar Year Ended June 30, 2019

Governmental Activities

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

Program revenues are targeted to directly offset expenses. For 2019, program revenues, charges for services and operating grants and contributions and capital grants and contributions account for 23.2% of total revenues. Program revenues for 2018 accounted for 13.2% of total revenues.

Revenues not specifically targeted for an activity are known as general revenues. Property taxes make up 63.9% of the Town's general revenues and 49.0% of total revenues. Licenses and permits, mainly auto registrations, account for 16.5% of general revenues and 12.6% of total revenues. Detail of the total revenues is as follows:

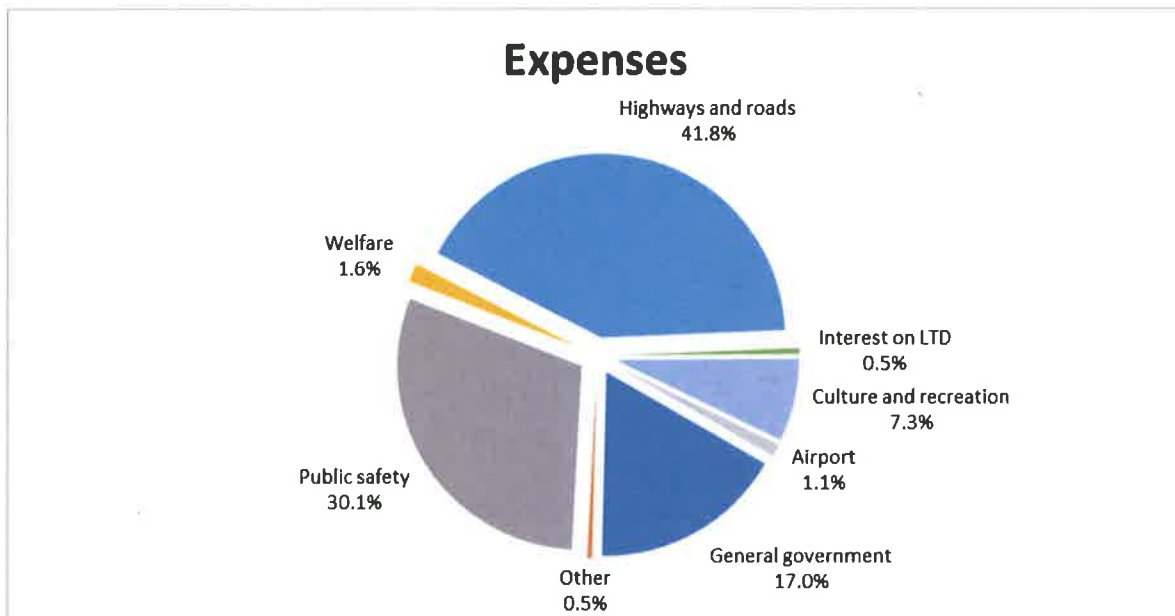


- Expenses: Expenses are classified by major governmental function or program and are offset by related program income. No depreciation has been recorded for 2018 or 2019.

The largest expenses were for general government, which accounts for 17.0% of total expenses; public safety, 30.1%; and highways and roads (including capital projects), 41.8%, and culture and recreation, 7.3%.

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2019



Business-Type Activities

➤ Revenues:

Program revenues for the Business-Type Activities, accounting for 98.1% of Total revenues, are Charges for Service for the Water and Sewer utilities. For 2018, Charges for Service accounted for 98.7% 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 2019 and 2018, the breakdown of the expenses is 39.3% and 36.6%, Water department and 60.7% and 63.4%, 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 15-18. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balance of resources. This information is most useful in assessing financing requirements. For example, unassigned fund balance may serve as a useful measure of a government's net resources available at year end. The Town's General Fund is its largest Governmental Fund.

During the fiscal year, the Town recognized \$7,986,335 in revenues and other financing sources in the General Fund, which is an increase of 1.5% from the prior year. The Town incurred \$8,233,588 in General Fund expenditures and other financing uses during the year, which represents an increase of 0.3% from the prior year.

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2019

The Town finished the fiscal year with General Fund fund balance in the amount of \$1,410,487, a decrease from the prior year of 14.9%. The current year net change in fund balance is (\$247,253). Of the total fund balance, \$319,257 is Nonspendable, \$232,041 Committed, and \$541,505 Assigned, leaving an Unassigned balance \$317,684.

- **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 2,222,865 or 35.8% of the prior year balance. Accrued interest in the amount of \$172,612 was recorded in the Sewer Fund for the called debt. Special Items recorded in the Sewer Fund in the amount of \$2,615,752 related to the settlement of the lawsuit for the WWTP upgrade were included in this change. Depreciation expense for 2019 was \$293,252.

BUDGETARY HIGHLIGHTS

The Town budget as approved at Town Meeting for the year ending June 30, 2019 was \$10,752,867. Of that total, \$763,135 was special warrant articles for various projects and special items and the balance of \$9,989,732 represented the Town's operating budget.

Of the total budget, the General Fund accounted for \$8,310,715, \$1,067,794 for the Water Fund, \$1,143,255 for the Sewer Fund, \$137,791 for the Airport Fund, \$93,312 for the Police Special Detail Fund. In the General Fund, actual expenditures and other financing sources, including encumbered amounts, were \$54,596 less than the budgeted amount as of June 30, 2019.

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 \$7,294.194. 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:

	2019	2018	Change
Land	\$442,421	\$442,421	\$0
Construction in progress	2,251,326 *	2,852,006	(600,680)
Buildings and improvements	1,651,231	1,810,069	(158,838)
Machinery, vehicles and equipment	209,995	199,047	10,948
Infrastructure	2,739,221	2,740,474	(1,253)
Total	<u>\$7,294,194</u>	<u>\$8,044,017</u>	<u>(\$749,823)</u>

* Includes write-off of \$820,245 of compromised assets related to the WWTP upgrade

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2019

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:

	2019	2018	Change
Governmental Activities			
Note	\$2,069,909	\$237,638	\$1,832,271
Leases	216,036	255,335	(39,299)
Compensated absences	425,116	434,864	(9,748)
Net pension liability	5,335,373	5,833,300	(497,927)
Net other postemployment benefits	498,501	356,043	142,458
Business-Type Activities			
Bonds and notes	3,441,215	2,713,998	727,217
Compensated absences	89,346	109,804	(20,458)
Net pension liability	653,757	779,456	(125,699)
Net other postemployment benefits	61,083	47,575	13,508
Total	\$12,790,336	\$10,768,013	\$2,022,323

ECONOMIC FACTORS AND THE 2017 BUDGET

New Hampshire Department of Employment Security and the United States Department of Labor reported the following unemployment rates for June 2019 and June 2018:

	<u>2019</u>	<u>2018</u>
Newport	1.9%	2.3%
Sullivan County	2.3%	2.1%
State of New Hampshire	2.5%	2.6%
United States	3.7%	4.0%

The Northeast Regional Consumer Price Index (CPI) increased 1.6% from June 2018 to June 2019. The National CPI for the same period increased 1.9%.

At the 2019 Town Meeting, the legislative body approved total appropriations for the 2019-20 fiscal year in the amount of \$14,272,694. The appropriations break down as follows:

	Operating Article	Special Articles	TOTAL
Governmental Type Funds:			
General Fund	\$7,840,078	\$79,000	\$7,919,078
Special Revenue Funds	143,391		143,391
Business-Type Activities:			
Water Fund	820,254		820,254
Sewer Fund	889,971	4,500,000	5,389,971
TOTAL	\$9,693,694	\$4,579,000	\$14,272,694

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2019

PROSPECTIVE ANALYSIS

On March 11, 2020, the World Health Organization declared, the outbreak of a coronavirus (COVID-19), a pandemic. In response to the pandemic, the State of New Hampshire's Governor issued an order declaring a state of emergency on March 13, 2020. It is anticipated that the impact of the pandemic will continue for some time. As a result, economic uncertainties have arisen which could have a financial impact on the Town though such potential impact is unknown at this time.

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, 2019

	Governmental Activities	Business-type Activities	Total	Richards Free Library
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,102,195	\$ 2,943,777	\$ 9,045,972	\$ 130,004
Investments	859,082	271,653	1,130,735	1,779,521
Taxes receivables (net)	1,920,312	-	1,920,312	-
Account receivables (net)	265,514	2,384,637	2,650,151	-
Intergovernmental receivable	1,817,411	-	1,817,411	-
Internal balances	174,779	(174,779)	-	-
Inventory	16,472	-	16,472	-
Prepaid items	99,104	-	99,104	-
Tax dedeed property, subject to resale	235,364	-	235,364	-
Restricted assets:				
Cash and cash equivalents	-	492,992	492,992	-
Noncurrent assets:				
Intergovernmental receivable	-	85,429	85,429	-
Capital assets:				
Land and construction in progress	-	2,693,747	2,693,747	-
Other capital assets, net of depreciation	-	4,600,447	4,600,447	867,565
Total assets	<u>11,490,233</u>	<u>13,297,903</u>	<u>24,788,136</u>	<u>2,777,090</u>
DEFERRED OUTFLOWS OF RESOURCES				
Amounts related to pensions	996,630	122,120	1,118,750	-
Amounts related to other postemployment benefits	85,104	10,428	95,532	-
Total deferred outflows of resources	<u>1,081,734</u>	<u>132,548</u>	<u>1,214,282</u>	<u>-</u>
LIABILITIES				
Accounts payable	573,951	393,623	967,574	-
Accrued salaries and benefits	99,462	-	99,462	-
Retainage payable	-	110,858	110,858	-
Contracts payable	490,312	-	490,312	-
Accrued interest payable	12,628	175,094	187,722	-
Intergovernmental payable	4,087,088	-	4,087,088	-
Other payable	124,874	-	124,874	-
Long-term liabilities:				
Due within one year	243,909	3,301,988	3,545,897	-
Due in more than one year	8,301,026	943,413	9,244,439	-
Total liabilities	<u>13,933,250</u>	<u>4,924,976</u>	<u>18,858,226</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	2,558,956	-	2,558,956	-
Amounts related to pensions	558,368	68,418	626,786	-
Amounts related to other postemployment benefits	1,584	194	1,778	-
Total deferred inflows of resources	<u>3,118,908</u>	<u>68,612</u>	<u>3,187,520</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	(2,285,945)	3,852,979	1,567,034	867,565
Restricted	1,215,237	-	1,215,237	1,909,525
Unrestricted	(3,409,483)	4,583,884	1,174,401	-
Total net position	<u>\$ (4,480,191)</u>	<u>\$ 8,436,863</u>	<u>\$ 3,956,672</u>	<u>\$ 2,777,090</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT B
TOWN OF NEWPORT, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Change in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Richards Free Library
Governmental activities:								
General government	\$ 2,064,750	\$ 16,758	\$ 185	\$ -	\$ (2,047,807)	\$ -	\$ (2,047,807)	\$ -
Public safety	3,654,018	513,678	-	-	(3,140,340)	-	(3,140,340)	-
Highways and streets	5,063,377	-	337,634	1,157,377	(3,568,366)	-	(3,568,366)	-
Airport operations	137,426	127,014	844	-	(9,568)	-	(9,568)	-
Sanitation	3,597	45,226	-	-	41,629	-	41,629	-
Health	22,777	-	-	-	(22,777)	-	(22,777)	-
Welfare	198,683	-	-	-	(198,683)	-	(198,683)	-
Culture and recreation	884,244	125,602	-	-	(758,642)	-	(758,642)	-
Conservation	385	-	-	-	(385)	-	(385)	-
Economic development	30,444	-	-	-	(30,444)	-	(30,444)	-
Interest on long-term debt	66,285	-	-	-	(66,285)	-	(66,285)	-
Total governmental activities	<u>12,125,986</u>	<u>828,278</u>	<u>338,663</u>	<u>1,157,377</u>	<u>(9,801,668)</u>	<u>-</u>	<u>(9,801,668)</u>	<u>-</u>
Business-type activities:								
Water	794,650	741,496	28,114	-	-	(25,040)	(25,040)	-
Sewer	1,226,599	826,921	1,440	-	-	(398,238)	(398,238)	-
Total business-type activities	<u>2,021,249</u>	<u>1,568,417</u>	<u>29,554</u>	<u>-</u>	<u>-</u>	<u>(423,278)</u>	<u>(423,278)</u>	<u>-</u>
Total	<u>\$ 14,147,235</u>	<u>\$ 2,396,695</u>	<u>\$ 368,217</u>	<u>\$ 1,157,377</u>	<u>(9,801,668)</u>	<u>(423,278)</u>	<u>(10,224,946)</u>	<u>-</u>
Component Unit:								
Richards Free Library	<u>\$ 382,388</u>	<u>\$ 187,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(195,244)</u>
General revenues:								
Taxes:								
Property					4,901,470	-	4,901,470	-
Other					305,796	-	305,796	-
Motor vehicle permit fees					1,200,680	-	1,200,680	-
Licenses and other fees					62,441	-	62,441	-
Grants and contributions not restricted to specific programs					702,092	-	702,092	-
Unrestricted investment earnings					57,839	30,391	88,230	-
Miscellaneous					445,823	-	445,823	(22,052)
Total general revenues					<u>7,676,141</u>	<u>30,391</u>	<u>7,706,532</u>	<u>(22,052)</u>
Special items:								
Legal settlement					-	3,435,997	3,435,997	-
Loss on capital asset disposal					-	(820,245)	(820,245)	-
Total general revenues and special items					<u>7,676,141</u>	<u>2,646,143</u>	<u>10,322,284</u>	<u>(22,052)</u>
Change in net position					<u>(2,125,527)</u>	<u>2,222,865</u>	<u>97,338</u>	<u>(217,296)</u>
Net position, beginning, as restated (see Note 21)					<u>(2,354,664)</u>	<u>6,213,998</u>	<u>3,859,334</u>	<u>2,994,386</u>
Net position, ending					<u>\$ (4,480,191)</u>	<u>\$ 8,436,863</u>	<u>\$ 3,956,672</u>	<u>\$ 2,777,090</u>

The Notes to the basic Financial Statements are an integral part of this statement.

EXHIBIT C-1
TOWN OF NEWPORT, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
June 30, 2019

		Capital Project Funds			
	General	Bridges	1st, 2nd 3rd, 4th Knoll Streets	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,727,373	\$ -	\$ -	\$ 1,374,822	\$ 6,102,195
Investments	298,142	-	-	560,940	859,082
Taxes receivable	1,961,502	-	-	-	1,961,502
Accounts receivable (net)	258,638	-	-	6,876	265,514
Intergovernmental receivable	84,515	916,606	688,465	127,825	1,817,411
Interfund receivable	1,777,415	-	-	-	1,777,415
Inventory	-	-	-	16,472	16,472
Prepaid items	83,893	-	-	15,211	99,104
Tax dedeed property, subject to resale	235,364	-	-	-	235,364
Total assets	<u>\$ 9,426,842</u>	<u>\$ 916,606</u>	<u>\$ 688,465</u>	<u>\$ 2,102,146</u>	<u>\$ 13,134,059</u>
LIABILITIES					
Accounts payable	\$ 550,119	\$ -	\$ -	\$ 23,832	\$ 573,951
Accrued salaries and benefits	99,462	-	-	-	99,462
Contracts payable	-	225,974	264,338	-	490,312
Intergovernmental payable	4,087,088	-	-	-	4,087,088
Interfund payable	-	913,944	424,127	264,565	1,602,636
Other payable	124,874	-	-	-	124,874
Total liabilities	<u>4,861,543</u>	<u>1,139,918</u>	<u>688,465</u>	<u>288,397</u>	<u>6,978,323</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - Property taxes	3,151,883	-	-	-	3,151,883
Unavailable revenue - Grants and donations	2,929	-	-	-	2,929
Total deferred inflows of resources	<u>3,154,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,154,812</u>
FUND BALANCES (DEFICIT)					
Nonspendable	319,257	-	-	679,881	999,138
Restricted	-	-	-	550,567	550,567
Committed	232,041	-	-	558,255	790,296
Assigned	541,505	-	-	73,201	614,706
Unassigned (deficit)	317,684	(223,312)	-	(48,155)	46,217
Total fund balances (deficit)	<u>1,410,487</u>	<u>(223,312)</u>	<u>-</u>	<u>1,813,749</u>	<u>3,000,924</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,426,842</u>	<u>\$ 916,606</u>	<u>\$ 688,465</u>	<u>\$ 2,102,146</u>	<u>\$ 13,134,059</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF NEWPORT, NEW HAMPSHIRE
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2019

Amounts reported for governmental activities in the Statement of Net
Position are different because:

Total fund balances of governmental funds (Exhibit C-1)		\$ 3,000,924
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 996,630	
Deferred inflows of resources related to pensions	(558,368)	
Deferred outflows of resources related to OPEB	85,104	
Deferred inflows of resources related to OPEB	<u>(1,584)</u>	
		521,782
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (1,602,636)	
Payables	<u>1,602,636</u>	
		-
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as deferred inflows of resources in the governmental funds.		595,856
Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual.		(41,190)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(12,628)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Notes	\$ 2,069,909	
Capital leases	216,036	
Compensated absences	425,116	
Net pension liability	5,335,373	
Other postemployment benefits	<u>498,501</u>	
		<u>(8,544,935)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (4,480,191)</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-3
TOWN OF NEWPORT, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2019

	Capital Project Funds			Other	Total
		1st, 2nd	3rd, 4th	Governmental	Governmental
	General	Bridges	Knoll Streets	Funds	Funds
REVENUES					
Taxes	\$ 5,057,471	\$ -	\$ -	\$ 53,371	\$ 5,110,842
Licenses and permits	1,263,121	-	-	-	1,263,121
Intergovernmental	669,209	1,157,377	-	371,546	2,198,132
Charges for services	636,692	-	-	191,586	828,278
Miscellaneous	280,249	-	-	223,413	503,662
Total revenues	<u>7,906,742</u>	<u>1,157,377</u>	<u>-</u>	<u>839,916</u>	<u>9,904,035</u>
EXPENDITURES					
Current:					
General government	1,731,753	-	-	218,545	1,950,298
Public safety	3,314,466	-	-	192,545	3,507,011
Highways and streets	1,202,040	-	-	-	1,202,040
Airport operations	-	-	-	120,832	120,832
Sanitation	3,597	-	-	-	3,597
Health	22,777	-	-	-	22,777
Welfare	198,683	-	-	-	198,683
Culture and recreation	723,389	-	-	29,148	752,537
Conservation	-	-	-	325	325
Economic development	-	-	-	30,444	30,444
Debt service:					
Principal	76,026	-	-	-	76,026
Interest	122,296	-	-	-	122,296
Capital outlay	763,689	1,446,721	1,877,565	125,219	4,213,194
Total expenditures	<u>8,158,716</u>	<u>1,446,721</u>	<u>1,877,565</u>	<u>717,058</u>	<u>12,200,060</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(251,974)</u>	<u>(289,344)</u>	<u>(1,877,565)</u>	<u>122,858</u>	<u>(2,296,025)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	13,562	-	35,299	39,573	88,434
Transfers out	(74,872)	-	-	(13,562)	(88,434)
Note proceeds	66,031	-	1,842,266	-	1,908,297
Total other financing sources (uses)	<u>4,721</u>	<u>-</u>	<u>1,877,565</u>	<u>26,011</u>	<u>1,908,297</u>
Net change in fund balances	(247,253)	(289,344)	-	148,869	(387,728)
Fund balances, beginning	1,657,740	66,032	-	1,664,880	3,388,652
Fund balances, ending	<u>\$ 1,410,487</u>	<u>\$ (223,312)</u>	<u>\$ -</u>	<u>\$ 1,813,749</u>	<u>\$ 3,000,924</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-4
TOWN OF NEWPORT, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Net change in fund balances of governmental funds (Exhibit C-3)		\$ (387,728)
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	\$ (88,434)	
Transfers out	<u>88,434</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	\$ 102,093	
Change in allowance for uncollectible property taxes	<u>(5,669)</u>	
		96,424
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Proceeds of debt	\$ (1,908,297)	
Repayment of note principal	76,026	
Repayment of capital leases	<u>39,299</u>	
		(1,792,972)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 1,248	
Decrease in prepaid capital leases	15,464	
Decrease in compensated absences payable	9,748	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	38,033	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(105,744)</u>	
		(41,251)
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ (2,125,527)</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT D
TOWN OF NEWPORT, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,214,107	\$ 5,214,107	\$ 5,153,895	\$ (60,212)
Licenses and permits	1,154,000	1,154,000	1,263,121	109,121
Intergovernmental	710,488	710,488	669,209	(41,279)
Charges for services	581,297	581,297	636,692	55,395
Miscellaneous	268,000	268,000	279,413	11,413
Total revenues	<u>7,927,892</u>	<u>7,927,892</u>	<u>8,002,330</u>	<u>74,438</u>
EXPENDITURES				
Current:				
General government	1,729,984	1,609,644	1,602,437	7,207
Public safety	3,146,029	3,243,349	3,258,466	(15,117)
Highways and streets	1,364,951	1,371,758	1,234,226	137,532
Sanitation	4,000	4,000	3,461	539
Health	23,343	23,343	22,777	566
Welfare	172,327	172,678	198,683	(26,005)
Culture and recreation	702,536	718,398	719,388	(990)
Debt service:				
Principal	76,208	76,208	76,026	182
Interest	9,017	9,017	9,740	(723)
Other	113,180	113,180	112,556	624
Capital outlay	901,639	901,639	876,087	25,552
Total expenditures	<u>8,243,214</u>	<u>8,243,214</u>	<u>8,113,847</u>	<u>129,367</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(315,322)</u>	<u>(315,322)</u>	<u>(111,517)</u>	<u>203,805</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	33,000	33,000	13,562	(19,438)
Transfers out	(67,501)	(67,501)	(142,372)	(74,871)
Note proceeds	103,123	103,123	66,031	(37,092)
Total other financing sources (uses)	<u>68,622</u>	<u>68,622</u>	<u>(62,779)</u>	<u>(131,401)</u>
Net change in fund balances	<u>\$ (246,700)</u>	<u>\$ (246,700)</u>	<u>(174,296)</u>	<u>\$ 72,404</u>
Increase in nonspendable fund balance			(475)	
Unassigned fund balance, beginning			1,044,192	
Unassigned fund balance, ending			<u>\$ 869,421</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-1
TOWN OF NEWPORT, NEW HAMPSHIRE
Proprietary Funds
Statement of Net Position
June 30, 2019

	Business-type Activities Enterprise Funds		
	Water Department	Sewer Department	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 428,067	\$ 2,515,710	\$ 2,943,777
Investments	59,278	212,375	271,653
Accounts receivable	318,213	2,066,424	2,384,637
Internal balances	199,953	185,752	385,705
Restricted assets:			
Cash and cash equivalents	171,849	321,143	492,992
Total current assets	1,177,360	5,301,404	6,478,764
Noncurrent assets:			
Intergovernmental receivable	32,586	52,843	85,429
Capital assets:			
Land and construction in progress	56,258	2,637,489	2,693,747
Other capital assets, net of depreciation	1,861,466	2,738,981	4,600,447
Total noncurrent assets	1,950,310	5,429,313	7,379,623
Total assets	3,127,670	10,730,717	13,858,387
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	64,484	57,636	122,120
Amounts related to other postemployment benefits	5,506	4,922	10,428
Total deferred outflows of resources	69,990	62,558	132,548
LIABILITIES			
Current liabilities:			
Accounts payable	107,392	286,231	393,623
Retainage payable	-	110,858	110,858
Accrued interest payable	1,889	173,205	175,094
Internal balances	145,259	415,225	560,484
Noncurrent liabilities:			
Due within one year	58,828	3,243,160	3,301,988
Due in more than one year	463,828	479,585	943,413
Total liabilities	777,196	4,708,264	5,485,460
DEFERRED INFLOWS OF RESOURCES			
Amounts related to pensions	36,127	32,291	68,418
Amounts related to other postemployment benefits	102	92	194
Total deferred inflows of resources	36,229	32,383	68,612
NET POSITION			
Net investment in capital assets	1,809,476	2,043,503	3,852,979
Unrestricted	574,759	4,009,125	4,583,884
Total net position	\$ 2,384,235	\$ 6,052,628	\$ 8,436,863

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-2
TOWN OF NEWPORT, NEW HAMPSHIRE
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2019

	Business-type Activities Enterprise Funds		
	Water Department	Sewer Department	Total
Operating revenues:			
User charges	\$ 737,166	\$ 809,515	\$ 1,546,681
Special Item - Legal settlement	-	3,435,997	3,435,997
Miscellaneous	4,330	17,406	21,736
Total operating revenues	<u>741,496</u>	<u>4,262,918</u>	<u>5,004,414</u>
Operating expenses:			
Salaries and wages	398,089	398,397	796,486
Operation and maintenance	283,528	470,644	754,172
Depreciation	109,434	183,818	293,252
Total operating expenses	<u>791,051</u>	<u>1,052,859</u>	<u>1,843,910</u>
Operating gain/loss	<u>(49,555)</u>	<u>3,210,059</u>	<u>3,160,504</u>
Nonoperating revenue (expense):			
Interest income	5,538	24,853	30,391
Intergovernmental revenues	28,114	1,440	29,554
Interest expense	(3,599)	(173,740)	(177,339)
Special Item - Loss on capital asset disposal	-	(820,245)	(820,245)
Total nonoperating revenues (expenses)	<u>30,053</u>	<u>(967,692)</u>	<u>(937,639)</u>
Change in net position	(19,502)	2,242,367	2,222,865
Net position, beginning	2,403,737	3,810,261	6,213,998
Net position, ending	<u>\$ 2,384,235</u>	<u>\$ 6,052,628</u>	<u>\$ 8,436,863</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-3
TOWN OF NEWPORT, NEW HAMPSHIRE
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

	Business-type Activities Enterprise Funds		
	Water Department	Sewer Department	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 740,233	\$ 799,346	\$ 1,539,579
Legal settlement	-	1,720,997	1,720,997
Payments to employees	(450,629)	(416,174)	(866,803)
Payments to suppliers	(256,357)	(408,322)	(664,679)
Net cash provided by operating activities	33,247	1,695,847	1,729,094
Cash flows from capital and related financing activities:			
Debt issuances	45,607	721,817	767,424
Principal paid on bonds	(36,207)	(4,000)	(40,207)
Acquisition and construction of fixed assets	(44,446)	(319,226)	(363,672)
Interest paid	(4,457)	(1,226)	(5,683)
Net cash used by (used for) capital and related financing activities	(39,503)	397,365	357,862
Cash flows from non-capital financing activities:			
State aid - water filtration grant	38,976	14,651	53,627
Cash flows from investing activities:			
Transfer to capital reserve funds	-	(30,000)	(30,000)
Interest received	5,300	24,066	29,366
Net cash used by (used for) investing activities	5,300	(5,934)	(634)
Net increase in cash	38,020	2,101,929	2,139,949
Cash, beginning	561,896	734,924	1,296,820
Cash, ending	\$ 599,916	\$ 2,836,853	\$ 3,436,769

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

Operating gain (loss)	\$ (49,555)	\$ 3,210,059	\$ 3,160,504
Adjustments to reconcile operating gain (loss) to net cash provided by operating activities:			
Depreciation expense	109,434	183,818	293,252
Changes in accounts receivable	(1,263)	(1,742,575)	(1,743,838)
Changes in interfund receivables	(129,050)	(185,752)	(314,802)
Changes in deferred outflows of resources	21,667	12,237	33,904
Changes in accounts payable	107,392	286,231	393,623
Changes in retainage payable	-	(120)	(120)
Changes in interfund payables	48,829	(38,037)	10,792
Changes in compensated absences payable	(10,366)	(10,092)	(20,458)
Changes in net pension liability	(83,999)	(41,700)	(125,699)
Changes in OPEB liability	6,057	7,451	13,508
Changes in deferred inflows of resources	14,101	14,327	28,428
Total adjustments	82,802	(1,514,212)	(1,431,410)
Net cash provided by operating activities	\$ 33,247	\$ 1,695,847	\$ 1,729,094

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT F-1
TOWN OF NEWPORT, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
June 30, 2019

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 90,343	\$ -
Investments	595,011	304,809
Total assets	<u>685,354</u>	<u>\$ 304,809</u>
LIABILITIES		
Intergovernmental payable	<u>-</u>	<u>\$ 304,809</u>
NET POSITION		
Held in trust for specific purposes	<u>\$ 685,354</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT F-2
TOWN OF NEWPORT, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2019

	Private Purpose Trust
ADDITIONS	
New funds	\$ 267,699
Interest	9,117
Change in fair market value	11,482
Total additions	<u>288,298</u>
DEDUCTIONS	
Scholarships	<u>10,810</u>
Change in net position	277,488
Net position, beginning	407,866
Net position, ending	<u><u>\$ 685,354</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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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, 2019

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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, 2019

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.

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, 2018.

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 the single employer 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 three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital 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, 2019

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 funds:

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.

Bridge Capital Project Fund – is used to account for the financial resources and activities relating to the construction on Oak Street Bridge and Coon Road Brook Bridge.

1st, 2nd, 3rd, 4th Knoll Street Capital Project Fund – is used to account for the financial resources and activities relating to the construction on 1st, 2nd, 3rd, 4th Knoll Street.

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.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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.

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.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

1-F Investments

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

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

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

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

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.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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.

1-I Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

1-J Capital Assets

Capital assets are reported in the business-type activities column in the government-wide financial statements. Capital assets in the governmental activities have not been capitalized as the Town has not determined the historical costs of the initial reporting of these assets. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation, if received on or before June 15, 2015. Donated capital assets received after June 15, 2015 are recorded at acquisition value.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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 14, 2018 and December 3, 2018, and due on July 3, 2018 and January 7, 2019. Effective April 1, 2019 for any regular property taxes issued, the interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding. Prior to April 1, 2019 the rates were 12% and 18% respectively.

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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, 2019 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, 2018 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 415,106,816
For all other taxes	\$ 435,103,216

The tax rates and amounts assessed for the year ended June 30, 2019 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$11.79	\$ 5,132,108
School portion:		
State of New Hampshire	\$2.16	894,585
Local	\$13.56	5,899,159
County portion	\$2.89	1,258,094
Total	<u>\$30.40</u>	<u>\$ 13,183,946</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, 2019.

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.

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1-P Compensated Absences

General leave for the Town includes sick pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon retirement or termination, employees are paid full value for any accrued general leave earned as set forth by the Town's personnel policy. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

1-Q 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-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 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 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, bon 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 and Town Manager 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-T 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/expenditures during the period reported. These estimates include assessing the collectability of accounts receivable, recoverability of inventory 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 2019, \$200,000 of the beginning general fund unassigned fund balance was applied for this purpose and \$46,700 was voted from unassigned fund balance to fund current year appropriations.

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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)	\$ 8,081,923
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record revenue of the blended funds	836
Change in deferred tax revenue relating to 60-day revenue recognition	(102,093)
Change in reserve for uncollectible property taxes	5,669
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 7,986,335</u></u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 8,256,219
Adjustment:	
Basis differences:	
Encumbrances, beginning	532,980
Encumbrances, ending	(488,111)
GASB Statement No. 54:	
To eliminate transfers between general and blended funds	(67,500)
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 8,233,588</u></u>

2-C Deficit Fund Balances

The Bridge Capital Project Fund and the Airport Special Revenue Fund each had deficit fund balances of \$223,312 and \$16,472, respectively, at June 30, 2019. The deficit for the Bridge Capital Project Fund will be financed through subsidies from the General Fund or other sources to cover the local share of the project expenditures. The deficit for the Airport Special Revenue Fund will be financed through increasing of billing rates to customers for fuel and to attempt to create operating efficiencies to cut down costs in the subsequent years.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits were \$9,759,311 including the Richards Free Library, and the bank balances totaled \$10,102,727. Petty cash totaled \$2,535. The Town held \$200,303 in short-term investments reported as cash equivalents.

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Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 9,668,968
Cash per Statement of Net Position - Fiduciary Fund (Exhibit F-1)	90,343
Total cash and cash equivalents	<u>\$ 9,759,311</u>

NOTE 4 – RESTRICTED ASSETS

Restricted cash in the proprietary funds at June 30, 2019 consisted of the following:

Water department:	
Water hookup fees	\$ 171,849
Sewer department:	
Sewer hookup fees	210,285
Sewer retainage	110,858
Total sewer department	<u>321,143</u>
Total restricted cash	<u>\$ 492,992</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. The Town has the following recurring fair value measurements as of June 30, 2019:

	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
Investments type:				
Certificates of deposit	\$ 808,503	\$ -	\$ -	\$ 808,503
Common stock	17,678	-	-	17,678
Corporate bonds	-	184,122	-	184,122
Equity exchange traded funds	1,854,703	-	-	1,854,703
Equity mutual funds	222,825	-	-	222,825
Fixed income exchange traded funds	-	59,935	-	59,935
Fixed income mutual funds	-	25,892	-	25,892
Municipal bonds	-	154,025	-	154,025
NH Public Deposit Investment Pool	-	329,018	-	329,018
U.S. Government agency bonds	-	1,731	-	1,731
U.S. Treasury bonds	-	151,644	-	151,644
Total fair value of investments	<u>\$ 2,903,709</u>	<u>\$ 906,367</u>	<u>\$ -</u>	<u>\$ 3,810,076</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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The Town has the following remaining investment maturities as of June 30, 2019:

Investments Type	Reported Balance	Exempt from Disclosure	Remaining Maturity (in Months)			
			Less than 1 Year	1-5 Years	6-10 Years	Thereafter
Certificates of deposit	\$ 808,503	\$ -	\$ 448,979	\$ 359,524	\$ -	\$ -
Common stock	17,678	17,678	-	-	-	-
Corporate bonds	184,122	-	-	90,539	93,583	-
Equity exchange traded funds	1,854,703	1,854,703	-	-	-	-
Equity mutual funds	222,825	222,825	-	-	-	-
Fixed income exchange traded funds	59,935	59,935	-	-	-	-
Fixed income mutual funds	25,892	25,892	-	-	-	-
Municipal bonds	154,025	-	-	60,244	62,098	31,683
New Hampshire Public Deposit Investment Pool	329,018	329,018	-	-	-	-
U.S. Government agency bonds	1,731	-	347	1,384	-	-
U.S. Treasury bonds	151,644	-	-	122,082	29,562	-
Total	<u>\$ 3,810,076</u>	<u>\$ 2,510,051</u>	<u>\$ 449,326</u>	<u>\$ 633,773</u>	<u>\$ 185,243</u>	<u>\$ 31,683</u>

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 investments pool had the following credit risk structure at June 30, 2019:

Investments Type	Reported Balance	Exempt from Disclosure	Rating as of Year End			
			Aaa	Aa	A	Baa
Certificates of deposit	\$ 808,503	\$ 808,503	\$ -	\$ -	\$ -	\$ -
Common stock	17,678	17,678	-	-	-	-
Corporate bonds	184,122	-	-	31,501	64,804	87,817
Equity exchange traded funds	1,854,703	1,854,703	-	-	-	-
Equity mutual funds	222,825	222,825	-	-	-	-
Fixed income exchange traded funds	59,935	59,935	-	-	-	-
Fixed income mutual funds	25,892	25,892	-	-	-	-
Municipal bonds	154,025	-	-	122,342	31,683	-
New Hampshire Public Deposit Investment Pool	329,018	329,018	-	-	-	-
U.S. Government agency bonds	1,731	1,731	-	-	-	-
U.S. Treasury bonds	151,644	-	151,644	-	-	-
Total	<u>\$ 3,810,076</u>	<u>\$ 3,320,285</u>	<u>\$ 151,644</u>	<u>\$ 153,843</u>	<u>\$ 96,487</u>	<u>\$ 87,817</u>

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 its investments.

Concentration of Credit Risk – The Board of Selectmen and Trustees of Trust Funds 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 & Trust. These investments are 17% of the Town's total investments.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 2,910,256
Investments per Statement of Net Position - Fiduciary Funds (Exhibit F-1)	899,820
Total investments	<u>\$ 3,810,076</u>

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NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2019. The amount has been reduced by an allowance for an estimated uncollectible amount of \$41,190. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2019	\$ 1,381,871	\$ 1,381,871
Unredeemed (under tax lien):		
Levy of 2018	287,384	287,384
Levy of 2017	227,165	227,165
Levies of 2016 and prior	56,335	56,335
Yield	6,597	6,597
Land use change	2,150	2,150
Less: allowance for estimated uncollectible taxes	(41,190) *	-
Net taxes receivable	<u>\$ 1,920,312</u>	<u>\$ 1,961,502</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, 2019, consisted of accounts (billings for police details, water, sewer, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of June 30, 2019 for the Town's governmental and proprietary funds including applicable allowances for uncollectible accounts are as follows:

	Governmental Funds					Proprietary Funds		
	General	Bridge	1st, 2nd 3rd, 4th Knoll Streets	Nonmajor	Total	Water Department	Sewer Department	Total
Receivables:								
Accounts	\$ 763,122	\$ -	\$ -	\$ 6,876	\$ 769,998	\$ 318,213	\$ 2,066,424	\$ 2,384,637
Intergovernmental	84,515	916,606	688,465	127,825	1,817,411	32,586	52,843	85,429
Gross receivables	847,637	916,606	688,465	134,701	2,587,409	350,799	2,119,267	2,470,066
Less allowance for uncollectibles	(504,484)	-	-	-	(504,484)	-	-	-
Net total receivables	<u>\$ 343,153</u>	<u>\$ 916,606</u>	<u>\$ 688,465</u>	<u>\$ 134,701</u>	<u>\$ 2,082,925</u>	<u>\$ 350,799</u>	<u>\$ 2,119,267</u>	<u>\$ 2,470,066</u>

NOTE 8 – PREPAID ITEMS

Prepaid items at June 30, 2019 consisted of the following:

	General Fund	Other Governmental Funds	Total
Insurance	\$ 47,659	\$ -	\$ 47,659
Dues/fees	5,399	-	5,399
Postage	470	-	470
Miscellaneous	30,365	-	30,365
Fuel	-	15,211	15,211
Total	<u>\$ 83,893</u>	<u>\$ 15,211</u>	<u>\$ 99,104</u>

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NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 442,421	\$ -	\$ -	\$ 442,421
Construction in progress	2,852,006	288,869	(889,549) *	2,251,326
Total capital assets not being depreciated	3,294,427	288,869	(889,549)	2,693,747
Being depreciated:				
Buildings and building improvements	6,333,419	-	-	6,333,419
Machinery and equipment	1,759,193	60,118	-	1,819,311
Other improvements	4,969,720	83,991	-	5,053,711
Total capital assets being depreciated	13,062,332	144,109	-	13,206,441
Total all capital assets	16,356,759	432,978	(889,549)	15,900,188
Less accumulated depreciation:				
Buildings and building improvements	(4,523,350)	(158,838)	-	(4,682,188)
Machinery and equipment	(1,560,146)	(49,170)	-	(1,609,316)
Other improvements	(2,229,246)	(85,244)	-	(2,314,490)
Total accumulated depreciation	(8,312,742)	(293,252)	-	(8,605,994)
Net book value, capital assets being depreciated	4,749,590	(149,143)	-	4,600,447
Net book value, all business-type activities capital assets	\$ 8,044,017	\$ 139,726	\$ (889,549)	\$ 7,294,194
	Balance, beginning	Additions	Deletions	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	1,159,365	-	-	1,159,365
Total all capital assets	1,159,365	-	-	1,159,365
Less accumulated depreciation:				
Land improvements	-	(1,716)	-	(1,716)
Buildings and building improvements	(261,456)	(28,628)	-	(290,084)
Total accumulated depreciation	(261,456)	(30,344)	-	(291,800)
Net book value, capital assets being depreciated	897,909	(30,344)	-	867,565
Net book value, all business-type activities capital assets	\$ 897,909	\$ (30,344)	\$ -	\$ 867,565

* As a result of the legal settlement reached with Penta Corporation; AECOM Technical Services, Inc.; and Westech Engineering, previous project expenditures in the amount of \$820,245 were written off in fiscal year 2019. The Town assessed work performed to date and determined that these expenditures did not meet the specifications of the original project and the work would need to be re-performed in subsequent periods.

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	\$ 109,434
Sewer	183,818
Total depreciation expense	\$ 293,252
Discretely presented component unit:	
Library	\$ 30,344

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NOTE 10 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of June 30, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
Governmental fund:		
General	Bridge	\$ 913,944
	1st, 2nd, 3rd, 4th Knoll Streets	107,989
	Nonmajor	264,565
	Water	345,658
	Sewer	145,259
		<u>1,777,415</u>
Business-type activities:		
Water	1st, 2nd, 3rd, 4th Knoll Streets	130,386
	Sewer	69,567
Sewer	1st, 2nd, 3rd, 4th Knoll Streets	185,752
		<u>385,705</u>
		<u>\$ 4,326,240</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, 2019 is as follows:

	Transfers In:		
	General Fund	1st, 2nd, 3rd, Knoll Streets	Nonmajor Fund
Transfers out:			
General fund	\$ -	\$ 35,299	\$ 39,573
Nonmajor fund	13,562	-	13,562
Total	<u>\$ 13,562</u>	<u>\$ 35,299</u>	<u>\$ 39,573</u>
			<u>\$ 88,434</u>

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

NOTE 11 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$4,391,897 at June 30, 2019 consist of the following:

General fund:	
Property taxes levied prior to their due date and payable to:	
Sullivan County	\$ 627,307
Newport School District	3,387,476
New Hampshire Retirement System's June payment	69,536
Miscellaneous fees due to the State of New Hampshire and US Treasury	2,769
Total general fund	<u>4,087,088</u>
Agency fund	
Trust funds held by the Town's Trustees of Trust Funds on behalf of the Newport School District	304,809
Total intergovernmental payables due	<u>\$ 4,391,897</u>

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NOTE 12 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources at June 30, 2019 consists of the following:

	Governmental Activities	Business-type Activities and Proprietary Funds		
		Water Department	Sewer Department	Total
Amounts related to pensions, see Note 15	\$ 996,630	\$ 64,484	\$ 57,636	\$ 122,120
Amounts related to OPEB, see Note 16	85,104	5,506	4,922	10,428
Total deferred inflows of resources	<u>\$ 1,081,734</u>	<u>\$ 69,990</u>	<u>\$ 62,558</u>	<u>\$ 132,548</u>

Deferred inflows of resources at June 30, 2019 consists of the following:

	Governmental Activities	General Fund	Business-type Activities and Proprietary Funds		
			Water Department	Sewer Department	Total
Property taxes levied prior to their due date	\$ 2,558,956	\$ 2,558,956	\$ -	\$ -	\$ -
Property tax receivables not collected within 60 days of the end of the year*	-	592,927	-	-	-
Grant revenue collected in advance of eligible expenditures*	-	2,929	-	-	-
Amounts related to pensions, see Note 15	558,368	-	36,127	32,291	68,418
Amounts related to OPEB, see Note 16	1,584	-	102	92	194
Total deferred inflows of resources	<u>\$ 3,118,908</u>	<u>\$ 3,154,812</u>	<u>\$ 36,229</u>	<u>\$ 32,383</u>	<u>\$ 68,612</u>

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

NOTE 13 – CAPITAL LEASES

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

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2019
Capital lease obligations:		
Sidewalk plow	4.50%	\$ 42,509
SCBA tanks	3.54%	142,493
Airport tractor	4.50%	31,034
Total capital lease obligations		<u>\$ 216,036</u>

The annual requirements to amortize the capital leases payable as of June 30, 2019, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2020	\$ 58,835
2021	58,835
2022	42,239
2023	26,777
2024	26,777
2025	26,777
Total requirements	240,240
Less: interest	24,204
Present value of remaining payments	<u>\$ 216,036</u>

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NOTE 14 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Governmental activities:					
Notes payable	\$ 237,638	\$ 1,908,297	\$ (76,026)	\$ 2,069,909	\$ 79,143
Capital leases	255,335	-	(39,299)	216,036	50,452
Compensated absences	434,864	40,564	(50,312)	425,116	114,314
Net pension liability	5,833,300	-	(497,927)	5,335,373	-
Net other postemployment benefits	356,043	142,458	-	498,501	-
Total long-term liabilities	<u>\$ 7,117,180</u>	<u>\$ 2,091,319</u>	<u>\$ (663,564)</u>	<u>\$ 8,544,935</u>	<u>\$ 243,909</u>
Business-type activities and proprietary funds:					
General obligation bonds and notes payable	\$ 2,713,998	\$ 767,424	\$ (40,207)	\$ 3,441,215	\$ 3,301,988
Compensated absences	109,804	278	(20,736)	89,346	-
Net pension liability	779,456	-	(125,699)	653,757	-
Net other postemployment benefits	47,575	13,508	-	61,083	-
Total long-term liabilities	<u>\$ 3,650,833</u>	<u>\$ 781,210</u>	<u>\$ (186,642)</u>	<u>\$ 4,245,401</u>	<u>\$ 3,301,988</u>

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

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2019
Governmental activities:					
Notes payable:					
Pumper/rescue truck	\$ 900,000	2007	2021	4.1000	\$ 161,612
State revolving loan*	\$ 66,031	2019	-	-	66,031
State revolving loan*	\$ 1,842,266	2019	-	-	1,842,266
Total					<u>2,069,909</u>
Business-type activities and proprietary funds:					
General obligation bonds and notes payable:					
Water treatment plant	\$ 1,050,000	1992	2022	5.5000	44,827
Parkview sewer project	\$ 120,000	2005	2026	4.5000	24,300
State revolving loan	\$ 3,239,160	2019	2020	1.0000	3,239,160
State revolving loan	\$ 63,424	2019	2024	0.6125	63,424
State revolving loan*	\$ 69,504	2019	-	-	69,504
					<u>3,441,215</u>
Total					<u>\$ 5,511,124</u>

***State Revolving Loan Fund Programs** – Drawdowns received under the various State Revolving Loan Fund Programs will be consolidated by promissory notes upon substantial completion of the related projects. As of June 30, 2019, drawdowns received to date totaling \$1,977,801 are recorded on the Town's financial statements, exclusive of any anticipated forgiveness on the loans. The notes, plus interest, will be repaid from the General Fund, Water Department Fund, and Sewer Department Fund.

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The annual requirements to amortize the *governmental activities* notes payable outstanding as of June 30, 2019, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 79,143	\$ 6,622	\$ 85,765
2021	82,469	3,295	85,764
Totals	161,612	\$ 9,917	\$ 171,529
Plus notes not yet in repayment	1,908,297		
Total notes payable	\$ 2,069,909		

The annual requirements to amortize the *business-type activities and proprietary funds* bonds and notes payable outstanding as of June 30, 2019, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 3,301,990 *	\$ 187,433	\$ 3,489,423
2021	22,727	1,637	24,364
2022	14,169	922	15,091
2023	14,231	679	14,910
2024	14,294	437	14,731
2025-2026	4,300	206	4,506
Totals	3,371,711	\$ 191,314	\$ 3,563,025
Plus notes not yet in repayment	69,504		
Total bonds/notes payable	\$ 3,441,215		

* As a result of the legal settlement reached with Penta Corporation; AECOM Technical Services, Inc.; and Westech Engineering, the State of New Hampshire Department of Environmental Services has called the Town's State Revolving Loan relating to the wastewater treatment plant upgrades. In November of 2019, the Town repaid principal of \$3,239,160 and interest of \$183,454, for a total payment of \$3,422,614. These amounts are reflected in the projected principal and interest payments for fiscal year 2020.

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.

Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of June 30, 2019 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
May 11, 2010	Wastewater treatment plant upgrade	\$ 2,160,840
May 10, 2016	Oak St. Bridge	509,000
May 10, 2016	1st, 2nd, 3rd, 4th Knoll Street's Infrastructure Project	961,874
May 9, 2017	Coon Brook Road Bridge	144,000
May 8, 2018	1st, 2nd, 3rd, 4th Knoll Street's Infrastructure Project	73,123
May 8, 2018	Asset Management	60,000
May 8, 2018	SCADA System	107,500
May 4, 2019	Wastewater treatment plant upgrade	4,500,000
		<u>\$ 8,516,337</u>

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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 within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

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

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

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

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

Contributions: The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I members are required to contribute 7% of earnable compensation and group II members (police and fire) are required to contribute 11.55% and 11.80% respectively. For fiscal year 2019, the Town contributed 25.33% for police, 27.79% for fire and 11.08% for other employees. The contribution requirement for the fiscal year 2019 was \$560,460, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2019 the Town reported a total liability of \$5,989,130, of which \$5,335,373 reported in the governmental activities and \$653,757 reported in the business-type activities and proprietary funds for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the Town's proportion was .12437961% which was a decrease of .01008086% from its proportion measured as of June 30, 2017.

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For the year ended June 30, 2019, the Town recognized pension expense of \$463,039. At June 30, 2019 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	\$ 85,529	\$ 391,702
Changes in assumptions	369,234	-
Net difference between projected and actual investment earnings on pension plan investments	-	123,466
Differences between expected and actual experience	42,586	43,200
Contributions subsequent to the measurement date	499,281	-
Total governmental activities	<u>996,630</u>	<u>558,368</u>
Business-type activities:		
Changes in proportion	10,480	47,996
Changes in assumptions	45,243	-
Net difference between projected and actual investment earnings on pension plan investments	-	15,128
Differences between expected and actual experience	5,218	5,294
Contributions subsequent to the measurement date	61,179	-
Total business-type activities	<u>122,120</u>	<u>68,418</u>
Grand total	<u>\$ 1,118,750</u>	<u>\$ 626,786</u>

The \$560,460 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, 2020. 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
2019	\$ 124,966	\$ 15,312	\$ 140,278
2020	84,971	10,412	95,383
2021	(184,919)	(22,659)	(207,578)
2022	(86,037)	(10,542)	(96,579)
2023	-	-	-
Thereafter	-	-	-
Totals	<u>\$ (61,019)</u>	<u>\$ (7,477)</u>	<u>\$ (68,496)</u>

Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, using the following actuarial assumptions which, accordingly, apply to 2018 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, 2018 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 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 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2018
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%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
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.

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, 2018	\$ 7,968,587	\$ 5,989,130	\$ 4,330,285

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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 2018 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 year 2018 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 2018, 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 2019, the Town contributed 4.10% for police and fire, and 0.30% for other employees. The contribution requirement for the fiscal year 2019 was \$59,211, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2019, the Town reported a total liability of \$559,584, of which \$498,501 reported in the governmental activities and \$61,083 reported in the business-type activities and proprietary funds for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an 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, 2018, the Town’s proportion was .1222103% which was an increase of .03394715% from its proportion measured as of June 30, 2017.

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For the year ended June 30, 2019, the Town recognized OPEB expense of \$174,484. At June 30, 2019, 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	\$ 29,430	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	1,584
Differences between expected and actual experience	2,926	-
Contributions subsequent to the measurement date	52,748	-
Total governmental activities	<u>85,104</u>	<u>1,584</u>
Business-type activities:		
Changes in proportion	3,606	-
Net difference between projected and actual investment earnings on pension plan investments	-	194
Differences between expected and actual experience	359	-
Contributions subsequent to the measurement date	6,463	-
Total business-type activities	<u>10,428</u>	<u>194</u>
Grand total	<u>\$ 95,532</u>	<u>\$ 1,778</u>

The \$59,211 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, 2020. 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
2019	\$ 31,862	\$ 3,904	\$ 35,766
2020	(494)	(61)	(555)
2021	(494)	(61)	(555)
2022	(102)	(11)	(113)
2023	-	-	-
Thereafter	-	-	-
Totals	<u>\$ 30,772</u>	<u>\$ 3,771</u>	<u>\$ 34,543</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2017 and a measurement date of June 30, 2018. 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, 2018 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 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2018
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%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
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, 2018 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, 2018	\$ 582,417	\$ 559,584	\$ 495,623

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 retirees in the health care plan creates increased plan costs for current employees which is an implied cost to the Town. Expenses for the implied costs 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 Governmental Accounting Standards Board (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, 2019, or contracted with an actuarial firm to assist in evaluating the impact of this standard on the Town's single employer plan. The amounts that should be recorded as the net OPEB liability and the OPEB expense for the single employer plan is unknown.

NOTE 17 – COMMITMENTS/ENCUMBRANCES

The Town has active construction projects as of June 30, 2019. At year-end the Town commitments with contractors for specific projects are as follows:

Capital Project Program	Spent to Date	Remaining Commitment
Bridges	\$ 1,665,375	\$ 551,154
1st, 2nd, 3rd, 4th Knoll Streets	744,440	757,371
Total Construction Commitments	<u>\$ 2,409,815</u>	<u>\$ 1,308,525</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at June 30, 2019 and are as follows:

General fund:	
General government	\$ 76,252
Public safety	10,000
Highways and streets	53,474
Sanitation	1,425
Culture and recreation	1,308
Capital outlay	345,652
Total encumbrances	<u>\$ 488,111</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	\$ 52,843
Guild Station	32,586
Total	<u>\$ 85,429</u>

TOWN OF NEWPORT, NEW HAMPSHIRE
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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, 2019 the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending	Amount
June 30,	
2020	\$ 24,073
2021	24,073
2022	24,073
2023	13,210
Total	<u>\$ 85,429</u>

NOTE 19 – NET POSITION

Net position reported on the government-wide Statement of Net Position at June 30, 2019 include the following:

	Governmental Activities	Business-type Activities	Total	Component Unit
Net investment in capital assets:				
Net book value, all capital assets	\$ -	\$ 7,294,194	\$ 7,294,194	\$ 867,565
Less:				
Bonds and notes payable	(2,069,909)	(3,441,215)	(5,511,124)	-
Capital leases payable	(216,036)	-	(216,036)	-
Total net investment in capital assets	<u>(2,285,945)</u>	<u>3,852,979</u>	<u>1,567,034</u>	<u>867,565</u>
Restricted net position:				
Airport	16,472	-	16,472	-
Police drug forfeiture	6,713	-	6,713	-
Economic coordinator	84,129	-	84,129	-
Capital project (Town Hall Improvement)	449,833	-	449,833	-
Nonexpendable permanent funds	648,198	-	648,198	-
Expendable permanent funds	9,892	-	9,892	-
Library purposes	-	-	-	1,909,525
Total restricted net position	<u>1,215,237</u>	<u>-</u>	<u>1,215,237</u>	<u>1,909,525</u>
Unrestricted	(3,409,483)	4,583,884	1,174,401	-
Total net position	<u>\$ (4,480,191)</u>	<u>\$ 8,436,863</u>	<u>\$ 3,956,672</u>	<u>\$ 2,777,090</u>

NOTE 20 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2019 include the following:

	General Fund	Bridge	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Prepaid items	\$ 83,893	\$ -	\$ 15,211	\$ 99,104
Tax deeded property	235,364	-	-	235,364
Permanent fund - principal balance	-	-	648,198	648,198
Inventory	-	-	16,472	16,472
Total nonspendable fund balance	<u>319,257</u>	<u>-</u>	<u>679,881</u>	<u>999,138</u>

(Continued)

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Governmental fund balances continued:

	General Fund	Bridge	Nonmajor Funds	Total Governmental Funds
Restricted:				
Police drug forfeiture	-	-	6,713	6,713
Economic coordinator	-	-	84,129	84,129
Town hall improvements	-	-	449,833	449,833
Permanent - income balance	-	-	9,892	9,892
Total restricted fund balance	-	-	550,567	550,567
Committed:				
Expendable trust	232,041	-	-	232,041
Conservation commission	-	-	36,068	36,068
Police details	-	-	34,031	34,031
Bald Mt TIF District	-	-	271,540	271,540
Recreation Revolving	-	-	216,616	216,616
Total committed fund balance	232,041	-	558,255	790,296
Assigned:				
Encumbrances	488,111	-	-	488,111
CDBG revolving loan	53,394	-	-	53,394
Ambulance	-	-	12,011	12,011
Neighborhood improvement	-	-	61,190	61,190
Total assigned fund balance	541,505	-	73,201	614,706
Unassigned (deficit)	317,684	(223,312)	(48,155)	46,217
Total governmental fund balances (deficit)	\$ 1,410,487	\$ (223,312)	\$ 1,813,749	\$ 3,000,924

NOTE 21 – PRIOR PERIOD ADJUSTMENT

Beginning net position for the discretely presented component unit was restated by \$55,702 at January 1, 2018 from \$2,938,684 to \$2,994,386 to record investments that were not previously reported.

NOTE 22 – SPECIAL ITEMS

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 construction of 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 \$3,435,997. The Town received \$1,720,997 in fiscal year 2019, including released retainage of \$110,997 and \$1,715,000 will be received in fiscal year 2020. As a result of the above settlement, previous project expenditures recognized as construction in progress in the amount of \$820,245 were written off in fiscal year 2019. The Town assessed work performed to date and determined that these expenditures did not meet the specifications of the original project and the work would need to be re-performed in the subsequent periods.

NOTE 23 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2019, 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, 2018 to June 30, 2019 by Primex³, which retained \$2,000,000 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

TOWN OF NEWPORT, NEW HAMPSHIRE
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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. In fiscal year 2018-19 the Town paid \$125,844 and \$90,832 respectively, to Primex for property, liability and worker's compensation, respectively. 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 24 – 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 Manger is an automatic member of the ECON Board, but the Board is self-appointed for all other members. While not a component unit, ECON does qualify as a related party.

The Town and ECON have many interactions through the course of the year. One ongoing activity is the Town managing the Ash Landfill owned by ECON as a contracted service. For the year ended June 30, 2019, the contract was in the amount of \$23,333 plus any additional costs, and at June 30, 2019 the Town has reported a receivable of \$136,333.

NOTE 25 – CONTINGENT LIABILITIES

There are various legal claims and suits pending against the Town which arose in the normal course of the government's 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 26 – 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 27 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Management has evaluated subsequent events through May 1, 2020, the date the June 30, 2019 financial statements were available to be issued, and the following occurred that require recognition or disclosure:

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. The following was identified:

- Subsequent to year end, the NH Department of Environmental Services called the debt associated with the WWTP upgrade, as the Town recovered the loan funds in the settlement of its WWTP upgrade lawsuit in fiscal year 2018. The Town requested, and received, approval for an emergency appropriation from the NH Department of Revenue under NH RSA 32:11, utilizing Sewer Fund retained earnings as the source of funding to repay the debt. In December of 2019, the Town paid the debt, \$3,239,160 and accumulated

TOWN OF NEWPORT, NEW HAMPSHIRE
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AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

interest, \$186,153. As of June 30, 2019, the Town recorded \$172,612 in accrued interest on this debt and the debt was classified as "Due within 1 year" on the Balance Sheet.

Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. The following was identified:

- On March 11, 2020, the World Health Organization declared, the outbreak of a coronavirus (COVID-19), a pandemic. In response to the pandemic, the State of New Hampshire's Governor issued an order declaring a state of emergency on March 13, 2020. It is anticipated that the impact of the pandemic will continue for some time. As a result, economic uncertainties have arisen which could have a financial impact on the Town though such potential impact is unknown at this time.

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, 2019

	June 30,					
	2014	2015	2016	2017	2018	2019
Town's proportion of the net pension liability	0.13933736%	0.12912300%	0.13508581%	0.13328872%	0.13446047%	0.12437961%
Town's proportionate share of the net pension liability	\$ 5,996,780	\$ 4,846,743	\$ 5,351,461	\$ 7,087,755	\$ 6,612,756	\$ 5,989,130
Town's covered payroll	\$ 2,974,004	\$ 2,934,611	\$ 3,025,088	\$ 3,017,829	\$ 3,143,361	\$ 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%	210.37%	189.28%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.81%	65.47%	58.30%	62.66%	64.73%

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, 2019

	June 30,					
	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 346,467	\$ 418,905	\$ 453,197	\$ 477,279	\$ 492,587	\$ 525,700
Contributions in relation to the contractually required contributions	346,467	418,905	453,197	477,279	492,587	525,700
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 2,974,004	\$ 2,934,611	\$ 3,025,088	\$ 3,017,829	\$ 3,143,361	\$ 3,164,216
Contributions as a percentage of covered payroll	11.65%	14.27%	14.98%	15.82%	15.67%	16.61%

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, 2019

***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, 2019. 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 2018:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018 (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	3.62% 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 2018 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 Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2019

	June 30,		
	2017	2018	2019
Town's proportion of the net OPEB liability	0.08808712%	0.08827388%	0.12222103%
Town's proportionate share of the net OPEB liability (asset)	\$ 426,434	\$ 403,618	\$ 559,584
Town's covered payroll	\$ 3,017,289	\$ 3,143,361	\$ 3,164,216
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	14.13%	12.84%	17.68%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%

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, 2019

	June 30,		
	2017	2018	2019
Contractually required contribution	\$ 51,184	\$ 52,320	\$ 54,062
Contributions in relation to the contractually required contribution	51,184	52,320	54,062
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Town's covered payroll	\$ 3,017,289	\$ 3,143,361	\$ 3,164,216
Contributions as a percentage of covered payroll	1.70%	1.66%	1.71%

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, 2019

***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, 2019. 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	3.62% 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, 2019

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 4,962,211	\$ 4,901,470	\$ (60,741)
Land use change	10,000	8,460	(1,540)
Yield	16,000	13,477	(2,523)
Excavation	3,000	2,661	(339)
Payment in lieu of taxes	92,896	92,820	(76)
Interest and penalties on taxes	130,000	135,007	5,007
Total from taxes	<u>5,214,107</u>	<u>5,153,895</u>	<u>(60,212)</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	1,110,000	1,200,680	90,680
Building permits	15,000	17,058	2,058
Other	29,000	45,383	16,383
Total from licenses, permits, and fees	<u>1,154,000</u>	<u>1,263,121</u>	<u>109,121</u>
Intergovernmental:			
State:			
Meals and rooms distribution	331,575	331,575	-
Highway block grant	337,913	337,634	(279)
Federal:			
Other	41,000	-	(41,000)
Total from intergovernmental	<u>710,488</u>	<u>669,209</u>	<u>(41,279)</u>
Charges for services:			
Income from departments	<u>581,297</u>	<u>636,692</u>	<u>55,395</u>
Miscellaneous:			
Sale of municipal property	15,000	1,464	(13,536)
Interest on investments	43,000	43,847	847
Other	210,000	234,102	24,102
Total from miscellaneous	<u>268,000</u>	<u>279,413</u>	<u>11,413</u>
Other financing sources:			
Transfers in	33,000	13,562	(19,438)
Bond proceeds	103,123	66,031	(37,092)
Total other financing sources	<u>136,123</u>	<u>79,593</u>	<u>(56,530)</u>
Total revenues and other financing sources	8,064,015	<u>\$ 8,081,923</u>	<u>\$ 17,908</u>
Unassigned fund balance used to reduce tax rate	200,000		
Amounts voted from fund balance	46,700		
Total revenues, other financing sources, and use of fund balance	<u>\$ 8,310,715</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, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 7,000	\$ 178,867	\$ 186,428	\$ -	\$ (561)
Election and registration	-	159,799	162,978	-	(3,179)
Financial administration	2,000	327,740	340,604	-	(10,864)
Revaluation of property	5,000	150,693	144,680	-	11,013
Legal	129,201	45,000	173,532	27,211	(26,542)
Personnel administration	6,000	-	-	-	6,000
Planning and zoning	-	90,672	69,951	-	20,721
General government buildings	31,794	493,696	523,430	49,041	(46,981)
Cemeteries	-	8,245	4,217	-	4,028
Insurance, not otherwise allocated	-	1	-	-	1
Advertising and regional associations	10,000	29,558	15,895	-	23,663
Other	14,573	125,373	110,038	-	29,908
Total general government	205,568	1,609,644	1,731,753	76,252	7,207
Public safety:					
Police	20,000	1,640,459	1,609,967	-	50,492
Ambulance	5,000	499,075	463,274	-	40,801
Fire	41,000	600,117	752,646	10,000	(121,529)
Building inspection	-	41,160	32,003	-	9,157
Emergency management	-	8,569	4,807	-	3,762
Other	-	453,969	451,769	-	2,200
Total public safety	66,000	3,243,349	3,314,466	10,000	(15,117)
Highways and streets:					
Administration	12,000	319,340	313,317	2,000	16,023
Highways and streets	9,288	987,723	849,500	37,162	110,349
Bridges	-	7,895	5,834	-	2,061
Street lighting	-	56,800	33,389	14,312	9,099
Total highways and streets	21,288	1,371,758	1,202,040	53,474	137,532
Sanitation:					
Solid waste collection	1,561	4,000	3,597	1,425	539
Health:					
Administration	-	2,123	1,557	-	566
Health agencies	-	21,220	21,220	-	-
Total health	-	23,343	22,777	-	566
Welfare:					
Administration and direct assistance	-	172,678	198,683	-	(26,005)
Culture and recreation:					
Parks and recreation	-	373,897	374,299	-	(402)
Library	4,000	342,500	346,500	-	-
Patriotic purposes	1,309	2,001	2,590	1,308	(588)
Total culture and recreation	5,309	718,398	723,389	1,308	(990)
Debt service:					
Principal of long-term debt	-	76,208	76,026	-	182
Interest on long-term debt	-	9,016	9,740	-	(724)
Interest on tax anticipation notes	-	1	-	-	1
Other	-	113,180	112,556	-	624
Total debt service	-	198,405	198,322	-	83

(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, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Capital outlay	233,254	901,639	763,689	345,652	25,552
Other financing uses:					
Transfers out	-	67,501	142,372	-	(74,871)
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 532,980</u>	<u>\$ 8,310,715</u>	<u>\$ 8,301,088</u>	<u>\$ 488,111</u>	<u>\$ 54,496</u>

SCHEDULE 3
TOWN OF NEWPORT, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended June 30, 2019

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 1,044,192
Changes:		
Unassigned fund balance used to reduce 2018-2019 tax rate		(200,000)
Amounts voted from fund balance		(46,700)
2018-2019 Budget summary:		
Revenue surplus (Schedule 1)	\$ 17,908	
Unexpended balance of appropriations (Schedule 2)	54,496	
2018-2019 Budget surplus		72,404
Increase in nonspendable fund balance		(475)
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		869,421
Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(592,927)
Elimination of the allowance for uncollectible taxes		41,190
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		\$ 317,684

SCHEDULE 4
TOWN OF NEWPORT, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

	Special Revenue Funds					
	Ambulance	Airport	Conservation Commission	Grants	Neighborhood Improvement	CDBG
ASSETS						
Cash and cash equivalents	\$ 15,343	\$ 119,053	\$ 36,726	\$ -	\$ 64,815	\$ -
Investments	-	-	-	-	-	-
Accounts receivable	-	3,567	-	-	-	-
Intergovernmental receivable	-	-	-	93,658	-	-
Inventory	-	16,472	-	-	-	-
Prepaid items	-	15,211	-	-	-	-
Total assets	<u>\$ 15,343</u>	<u>\$ 154,303</u>	<u>\$ 36,726</u>	<u>\$ 93,658</u>	<u>\$ 64,815</u>	<u>\$ -</u>
LIABILITIES						
Accounts payable	\$ -	\$ 21,045	\$ -	\$ -	\$ -	\$ -
Interfund payable	3,332	149,730	658	93,658	3,625	-
Total liabilities	<u>3,332</u>	<u>170,775</u>	<u>658</u>	<u>93,658</u>	<u>3,625</u>	<u>-</u>
FUND BALANCES (DEFICIT)						
Nonspendable	-	31,683	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	36,068	-	-	-
Assigned	12,011	-	-	-	61,190	-
Unassigned (deficit)	-	(48,155)	-	-	-	-
Total fund balances (deficit)	<u>12,011</u>	<u>(16,472)</u>	<u>36,068</u>	<u>-</u>	<u>61,190</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 15,343</u>	<u>\$ 154,303</u>	<u>\$ 36,726</u>	<u>\$ 93,658</u>	<u>\$ 64,815</u>	<u>\$ -</u>

Special Revenue Funds					Capital Project Fund		
Police Details	Bald Mt TIF District	Recreation Revolving	Police Drug Forfeiture	Economic Coordinator	Town Hall Improvements	Permanent Fund	Total
\$ 32,597	\$ 271,540	\$ 216,616	\$ 8,682	\$ 84,947	\$ 413,791	\$ 110,712	\$ 1,374,822
-	-	-	-	-	-	560,940	560,940
1,434	-	-	-	-	1,875	-	6,876
-	-	-	-	-	34,167	-	127,825
-	-	-	-	-	-	-	16,472
-	-	-	-	-	-	-	15,211
<u>\$ 34,031</u>	<u>\$ 271,540</u>	<u>\$ 216,616</u>	<u>\$ 8,682</u>	<u>\$ 84,947</u>	<u>\$ 449,833</u>	<u>\$ 671,652</u>	<u>\$ 2,102,146</u>
\$ -	\$ -	\$ -	\$ 1,969	\$ 818	\$ -	\$ -	\$ 23,832
-	-	-	-	-	-	13,562	264,565
-	-	-	1,969	818	-	13,562	288,397
-	-	-	-	-	-	648,198	679,881
-	-	-	6,713	84,129	449,833	9,892	550,567
34,031	271,540	216,616	-	-	-	-	558,255
-	-	-	-	-	-	-	73,201
-	-	-	-	-	-	-	(48,155)
<u>34,031</u>	<u>271,540</u>	<u>216,616</u>	<u>6,713</u>	<u>84,129</u>	<u>449,833</u>	<u>658,090</u>	<u>1,813,749</u>
<u>\$ 34,031</u>	<u>\$ 271,540</u>	<u>\$ 216,616</u>	<u>\$ 8,682</u>	<u>\$ 84,947</u>	<u>\$ 449,833</u>	<u>\$ 671,652</u>	<u>\$ 2,102,146</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, 2019

	Special Revenue Funds					
	Ambulance	Airport	Conservation Commission	Grants	Neighborhood Improvement	CDBG
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	844	-	188,201	-	182,316
Charges for services	-	127,014	-	-	-	-
Miscellaneous	139	1,781	237	-	419	-
Total revenues	139	129,639	237	188,201	419	182,316
EXPENDITURES						
Current:						
General government	-	-	-	18,229	-	182,316
Public safety	-	-	-	169,972	-	-
Airport operations	-	120,832	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Conservation	-	-	325	-	-	-
Economic development	-	-	-	-	-	-
Capital outlay	-	16,594	-	-	3,625	-
Total expenditures	-	137,426	325	188,201	3,625	182,316
Excess (deficiency) of revenues over (under) expenditures	139	(7,787)	(88)	-	(3,206)	-
OTHER FINANCING USES						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	139	(7,787)	(88)	-	(3,206)	-
Fund balances (deficit), beginning	11,872	(8,685)	36,156	-	64,396	-
Fund balances (deficit), ending	\$ 12,011	\$ (16,472)	\$ 36,068	\$ -	\$ 61,190	\$ -

Special Revenue Funds					Capital Project Fund		
Police Details	Bald Mt TIF District	Recreation Revolving	Police Drug Forfeiture	Economic Coordinator	Town Hall Improvement	Permanent Fund	Total
\$ -	\$ 53,371	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,371
-	-	-	185	-	-	-	371,546
26,453	-	38,119	-	-	-	-	191,586
-	-	43,621	5	75,000	59,192	43,019	223,413
26,453	53,371	81,740	190	75,000	59,192	43,019	839,916
-	18,000	-	-	-	-	-	218,545
21,064	-	-	1,509	-	-	-	192,545
-	-	-	-	-	-	-	120,832
-	-	29,148	-	-	-	-	29,148
-	-	-	-	-	-	-	325
-	-	-	-	30,444	-	-	30,444
-	-	-	-	-	105,000	-	125,219
21,064	18,000	29,148	1,509	30,444	105,000	-	717,058
5,389	35,371	52,592	(1,319)	44,556	(45,808)	43,019	122,858
-	-	-	-	39,573	-	-	39,573
-	-	-	-	-	-	(13,562)	(13,562)
-	-	-	-	39,573	-	(13,562)	26,011
5,389	35,371	52,592	(1,319)	84,129	(45,808)	29,457	148,869
28,642	236,169	164,024	8,032	-	495,641	628,633	1,664,880
\$ 34,031	\$ 271,540	\$ 216,616	\$ 6,713	\$ 84,129	\$ 449,833	\$ 658,090	\$ 1,813,749

***SINGLE AUDIT ACT SCHEDULES
AND INDEPENDENT AUDITOR'S REPORTS***



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Newport, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Newport's basic financial statements, and have issued our report thereon dated May 1, 2020. Our report on the financial statements of the governmental activities was adverse as indicated therein.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Newport's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Newport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Newport's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Newport's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

***Town of Newport
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards***

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

May 1, 2020

Sheryl A. Piatt, CPA

PLODZIK & SANDERSON
Professional Association



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Newport's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Town of Newport's major federal program for the year ended June 30, 2019. The Town of Newport's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town of Newport's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Newport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town of Newport's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Newport complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Town of Newport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Newport's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Newport's internal control over compliance.

Town of Newport

***Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance***

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

May 1, 2020

Sheryl A. Platt, CPA

PLODZIK & SANDERSON
Professional Association

SCHEDULE I
TOWN OF NEWPORT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified opinion on the business-type activities, discretely presented component unit, each major fund, and
aggregate remaining fund; and an adverse opinion on governmental activities.

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>66.458</u>	<u>Capitalization Grants for Clean Water State Revolving Funds</u>

Dollar threshold used to distinguish between type A and
type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
TOWN OF NEWPORT, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through the New Hampshire Community Development Finance Authority				
Community Development Block Grant/State's Program	14.228	17-229-CDPF	\$ 168,461	\$ 182,316
U.S. DEPARTMENT OF JUSTICE				
Passed Through the State of New Hampshire Department of Justice				
Edward Byrne Memorial Justice Assistance Grant	16.738	N/A	-	50,995
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through the State of New Hampshire Department of Transportation				
Highway Planning and Construction	20.205	16109	-	599,204
Passed Through the New Hampshire Department of Safety				
HIGHWAY SAFETY CLUSTER				
State and Community Highway Safety	20.600	315-18A-020	-	7,539
National Priority Safety Programs:				
DWI Patrols	20.616	308-18A-014	-	5,038
DWI Patrols	20.616	19-137	-	262
<i>CLUSTER TOTAL</i>			-	12,839
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Passed Through the New Hampshire Department of Environmental Services				
Capitalization Grants for Clean Water State Revolving Funds (Note 4):				
Wastewater Treatment Plant Upgrade	66.458	CS-330169-10	-	177,365
First through Fourth Street Infrastructure	66.458	CS-330169-11	-	911,308
<i>PROGRAM TOTAL</i>			-	1,088,673
Capitalization Grants for Drinking Water State Revolving Funds:				
Install Security Gate	66.468	SWP-295	-	5,440
Install Security Fencing	66.468	SWP-296	-	5,285
<i>PROGRAM TOTAL</i>			-	10,725
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through the New Hampshire Department of Safety				
Emergency Management Performance Grants:				
EOC Generator and Communications Equipment Relocation	97.042	N/A	-	25,245
Emergency Trailer and Associated Equipment	97.042	N/A	-	21,298
<i>PROGRAM TOTAL</i>			-	46,543
Homeland Security Grant Program	97.067	N/A	-	25,611

(Continued)

The accompanying notes are an integral part of this schedule.

SCHEDULE II (Continued)
TOWN OF NEWPORT, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DIRECT FUNDING				
U.S. DEPARTMENT OF AGRICULTURE				
Community Facilities Loans and Grants:				
Emergency Services Utility Task Vehicle	10.766	N/A	-	13,500
Ambulance Power Lift Stretcher	10.766	N/A	-	11,500
Vehicle Extraction Equipment	10.766	N/A	-	17,300
Public Works Photocopier	10.766	N/A	-	2,500
<i>PROGRAM TOTAL</i>			-	44,800
<i>Total Expenditures of Federal Awards</i>			<u>\$ 168,461</u>	<u>\$ 2,061,706</u>

The accompanying notes are an integral part of this schedule.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Town of Newport under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Newport, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Newport.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Town of Newport has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Loans Outstanding

The Town of Newport had the following loan balance outstanding at June 30, 2019. The loans made during the year are included in the federal expenditures presented in the Schedule.

<i>CFDA Number</i>	<i>Program Name</i>	<i>Outstanding Balances at June 30, 2019</i>
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$3,722,586