

**TOWN OF NEWPORT,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

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

Professional Association/Certified Public Accountants

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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, 2020, 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 unmodified and adverse audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Business-type Activities	Unmodified
Water Enterprise Fund	Unmodified
Sewer Enterprise Fund	Unmodified
General Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Town of Newport
Independent Auditor's Report

Basis for Adverse Opinion on Governmental Activities

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

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

Adverse Opinion

In our opinion, because of the significance of the matters described in the "Basis for Adverse Opinion on Governmental Activities" paragraphs, the financial statements referred to above do not present fairly the financial position of the government-wide financial statements of the Town of Newport, as of June 30, 2020, 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 each major fund and aggregate remaining fund information of the Town of Newport as of June 30, 2020, 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.

Change in Accounting Principle

As discussed in Note 2-D to the financial statements, in fiscal year 2020 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the 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,
- Notes to the Required Supplementary Information

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

Other Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Newport's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* 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.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2022, 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, and grant agreements and other matters. The purpose of that report is solely to describe 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 or on 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.

Sheryl A. Platt, CPA

January 21, 2022

PLODZIK & SANDERSON
Professional Association

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2020

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, 2020. Please read it in conjunction with the Town's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

For the year ended June 30, 2020:

- The Town's total net position was \$5,371,285, an increase from the prior year, after restatement, of \$58,604 or 1.1%, which consisted of (\$3,388,351) for Governmental Activities and \$8,759,636 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 \$9,073,652, an increase from the prior year of \$1,779,458, or 24.4%. Depreciation expense for 2020 was \$319,448.
- The total long-term obligations for the Town were \$9,893,895, a decrease of \$2,896,441 from the prior year, or 22.6%.
- The unassigned fund balance of the General Fund was \$355,668, an increase of the prior year's balance of \$37,984, or 12.0%. There was no planned use of General Fund fund balance in the adoption of the budget for the 2020 year.
- The Town recorded prior period adjustments for the implementation of GASB Statement No. 84 and for the restatement of debt reported in the governmental activities instead of the Business-Type Activities. The effect of the restatement was a reduction of the Governmental Activities deficit of \$1,356,009 and an increase in the Fiduciary Funds of \$304,809.

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.

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2020

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, 2019 and the Statement of Activities is for the period January 1, 2019 to December 31, 2019.

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.

- **Proprietary Funds:** These funds are commonly referred to as Enterprise Funds. Proprietary Funds are presented in the same format as the business-type activities in the government-wide financial statements, only in more detail by breaking out the Water and Sewer Funds separately.
- **Fiduciary Funds:** Fiduciary funds account for assets held by the Town as a trustee or agent for individual, groups, private organizations, or other units of government. These funds are not reflected in the government-wide financial statements, because these assets are unavailable to finance the Town's operation.

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2020

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, 2020:

Statement of Net Position

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

	2020			2019 Total
	Governmental Activities	Business-Type Activities	Total	
Current Assets	\$11,324,583	\$ 2,432,425	\$13,757,008	\$ 17,408,513
Noncurrent Assets (net)	-	9,135,009	9,135,009	7,379,623
Total Assets	11,324,583	11,567,434	22,892,017	24,788,136
Deferred Outflows of Resources	905,682	122,665	1,028,347	1,214,282
Current Liabilities	5,560,836	244,509	5,805,345	9,613,787
Non-current Liabilities	7,013,783	2,630,262	9,644,045	7,888,430
Total Liabilities	12,574,619	2,874,771	15,449,390	17,502,217
Deferred Inflows of Resources	3,043,997	55,692	3,099,689	3,187,520
Net investment in capital assets	(861,883)	7,243,076	6,381,193	1,567,034
Restricted net position	1,023,119	-	1,023,119	1,215,237
Unrestricted net position	(3,549,587)	1,516,560	(2,033,027)	2,530,410
Total Net Position	\$ (3,388,351)	\$ 8,759,636	\$ 5,371,285	\$ 5,312,681

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

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2020

- 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.

	2020			2019 Total
	Governmental Activities	Business-Type Activities	Total	
Program Revenues				
Charges for service	\$787,497	\$1,883,436	\$2,670,933	\$2,396,695
Operating grants and contributions	189,437	201,674	391,111	368,217
Capital grants and contributions	1,326,492		1,326,492	1,157,377
General Revenues				
Taxes	5,158,474		5,158,474	5,207,266
Licenses and permits	1,272,549		1,272,549	1,263,121
Unrestricted grants and contributions	683,802		683,802	702,092
Miscellaneous	395,143	27,089	422,232	534,053
Total Revenues	9,813,394	2,112,199	11,925,593	11,628,821
Expenses				
General government	1,934,154		1,934,154	2,064,750
Public safety	3,514,311		3,514,311	3,654,018
Highways and Streets	3,475,602		3,475,602	5,063,377
Airport operations	134,308		134,308	137,426
Sanitation	3,319		3,319	3,597
Health	26,079		26,079	22,777
Welfare	217,629		217,629	198,683
Culture and recreation	756,251		756,251	884,244
Conservation			-	385
Economic Development	72,608		72,608	30,444
Interest on long-term debt	13,209		13,209	66,285
Water department		884,009	884,009	794,650
Sewer department		1,100,796	1,100,796	1,226,599
Total Expenses	10,147,470	1,984,805	12,132,275	14,147,235
Special Items				
Principal forgiveness on long-term debt	69,907	195,379	265,286	
Legal Settlement			-	3,435,997
Loss on capital asset disposition			-	(820,245)
Net Special Items	69,907.00	195,379	265,286	2,615,752
Change in Net Position	(\$264,169)	\$322,773	\$58,604	\$97,338

Governmental Activities

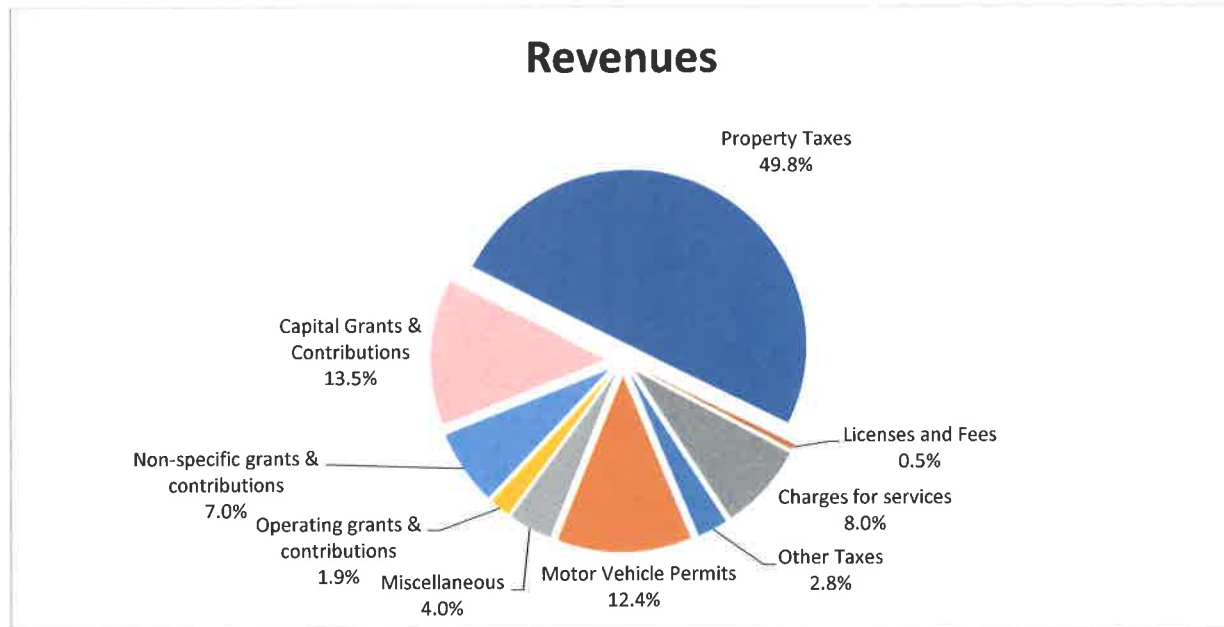
- Revenues: Revenues are classified as either Program or General.

Program revenues are targeted to directly offset expenses. For 2020, program revenues, charges for services and operating grants and contributions and capital grants and contributions account for 23.5% of total revenues. Program revenues for 2019 accounted for 23.2% of total revenues.

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2020

Revenues not specifically targeted for an activity are known as general revenues. Property taxes make up 65.0% of the Town's general revenues and 49.8% of total revenues. Licenses and permits, mainly auto registrations, account for 16.9% of general revenues and 13.0% of total revenues. Detail of the total revenues is as follows:

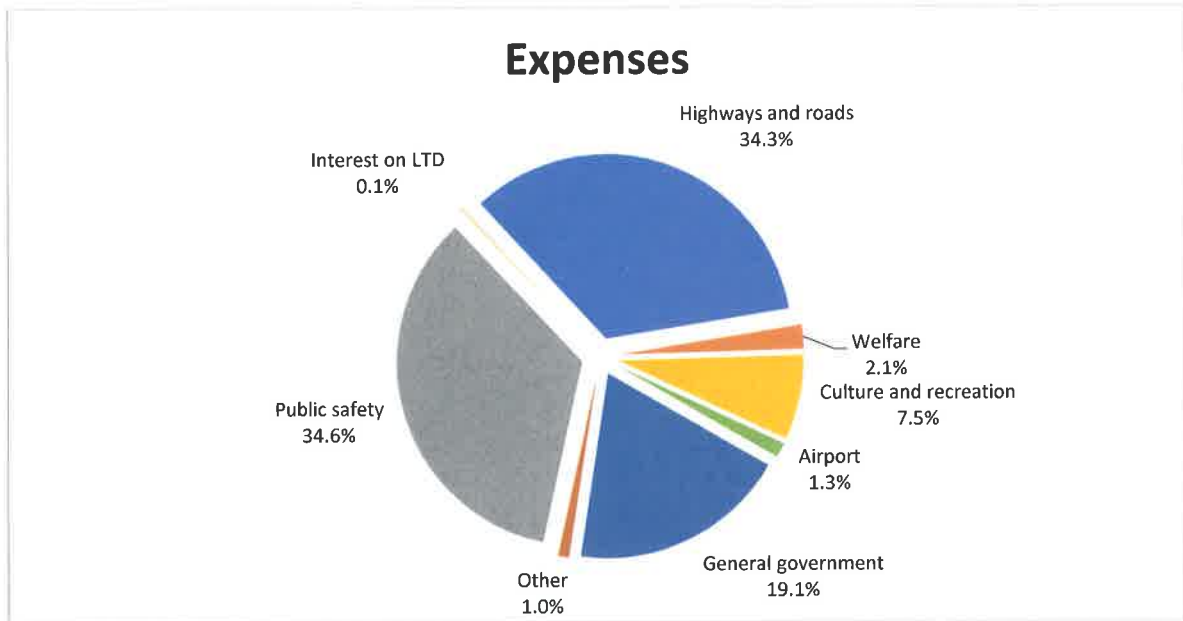


TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2020

- Expenses: Expenses are classified by major governmental function or program and are offset by related program income. No depreciation has been recorded for 2019 or 2020.

The largest expenses were for general government, which accounts for 19.1% of total expenses; public safety, 34.6%; and highways and roads (including capital projects), 34.3%, and culture and recreation, 7.5%.



Business-Type Activities

- Revenues:

Program revenues for the Business-Type Activities, accounting for 98.7% of Total revenues, are Charges for Service for the Water and Sewer utilities. For 2019, Charges for Service accounted for 98.1% 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 2020 and 2019, the breakdown of the expenses is 44.5% and 39.3%, Water Department and 55.5% and 60.7%, Sewer Department.

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2020

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 \$7,740,662 in revenues and other financing sources in the General Fund, which is a decrease of 6.1% from the prior year. The Town incurred \$7,810,895 in General Fund expenditures and other financing uses during the year, which represents a decrease of 5.1% from the prior year.

The Town finished the fiscal year with General Fund fund balance in the amount of \$1,340,254, a decrease from the prior year of (\$70,233), or 5.0%. Of the total fund balance, \$386,155 is Nonspendable, \$307,725 Committed, and \$290,706 Assigned, leaving an Unassigned balance \$355,668.

- **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 \$322,773 or 3.8% of the prior year balance. Depreciation expense for 2020 was \$319,448.

BUDGETARY HIGHLIGHTS

The Town budget as approved at Town Meeting for the year ending June 30, 2020 was \$14,272,694. Of that total, \$4,579,000 was special warrant articles for various projects and special items and the balance of \$9,693,694 represented the Town's operating budget.

Of the total budget, the General Fund accounted for \$7,919,078, \$820,254 for the Water Fund, \$5,389,971 for the Sewer Fund, \$143,391 for the Airport Fund. In the General Fund, actual expenditures and other financing sources, including encumbered amounts, were \$284,197 less than the budgeted amount as of June 30, 2020.

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 \$9,073,652. Details of Capital Assets and the changes in Capital Assets are found in the Notes to the Financial Statements.

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2020

A summary of the Capital Assets and changes thereof follows:

	2020	2019	Change
Land	\$473,671	\$442,421	\$31,250
Construction in progress	2,185,673	2,251,326 *	(65,653)
Buildings and improvements	1,494,870	1,651,231	(156,361)
Machinery, vehicles and equipment	179,098	209,995	(30,897)
Infrastructure	4,740,340	2,739,221	2,001,119
Total	<u>\$9,073,652</u>	<u>\$7,294,194</u>	<u>\$1,779,458</u>

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

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:

	2020	2019	Change
Governmental Activities			
Note	\$710,460	\$713,900	(\$3,440)
Leases	151,423	216,036	(64,613)
Compensated absences	341,657	425,116	(83,459)
Net pension liability	5,457,410	5,335,373	122,037
Net other postemployment benefits	500,937	498,501	2,436
Business-Type Activities			
Bonds and notes	1,830,576	3,441,215	(1,610,639)
Compensated absences	94,435	89,346	5,089
Net pension liability	739,150	653,757	85,393
Net other postemployment benefits	67,847	61,083	6,764
Total	<u>\$9,893,895</u>	<u>\$11,434,327</u>	<u>(\$1,540,432)</u>

ECONOMIC FACTORS AND THE 2021 BUDGET

New Hampshire Department of Employment Security and the United States Department of Labor reported the following unemployment rates for June 2020 and June 2019:

	<u>2020</u>	<u>2019</u>
Newport	9.0%	1.9%
Sullivan County	8.2%	2.3%
State of New Hampshire	10.2%	2.5%
United States	11.1%	3.6%

TOWN OF NEWPORT, NH

Management's Discussion and Analysis Calendar Year Ended June 30, 2020

The Northeast Regional Consumer Price Index (CPI) increased .8% from June 2019 to June 2020. The National CPI for the same period increased .6%.

At the 2020 Town Meeting, the legislative body approved total appropriations for the 2020-21 fiscal year in the amount of \$10,467,692. The appropriations break down as follows:

	Operating Article	Special Articles	TOTAL
Governmental Type Funds:			
General Fund	\$8,230,977	\$106,500	\$8,337,477
Special Revenue Funds	144,977	—	144,977
Business-Type Activities:			
Water Fund	893,859	100,000	993,859
Sewer Fund	961,379	30,000	991,379
TOTAL	<u>\$10,231,192</u>	<u>\$236,500</u>	<u>\$10,467,692</u>

REQUESTS FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF NEWPORT, NEW HAMPSHIRE
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-type Activities	Total	Richards Free Library
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,336,903	\$ 1,475,609	\$ 7,812,512	\$ 160,568
Investments	1,044,025	302,663	1,346,688	1,959,546
Taxes receivables (net)	2,231,086	-	2,231,086	-
Account receivables (net)	324,957	832,926	1,157,883	-
Intergovernmental receivable	313,097	-	313,097	-
Internal balances	676,330	(676,330)	-	-
Inventory	12,283	-	12,283	-
Prepaid items	150,538	-	150,538	-
Tax deeded property, subject to resale	235,364	-	235,364	-
Restricted assets:				
Cash and cash equivalents	-	497,557	497,557	-
Noncurrent assets:				
Intergovernmental receivable	-	61,357	61,357	-
Capital assets:				
Land and construction in progress	-	2,659,344	2,659,344	-
Other capital assets, net of depreciation	-	6,414,308	6,414,308	837,221
Total assets	<u>11,324,583</u>	<u>11,567,434</u>	<u>22,892,017</u>	<u>2,957,335</u>
DEFERRED OUTFLOWS OF RESOURCES				
Amounts related to pensions	857,194	116,098	973,292	-
Amounts related to other postemployment benefits	48,488	6,567	55,055	-
Total deferred outflows of resources	<u>905,682</u>	<u>122,665</u>	<u>1,028,347</u>	<u>-</u>
LIABILITIES				
Accounts payable	449,802	141,681	591,483	-
Accrued salaries and benefits	173,353	-	173,353	-
Accrued interest payable	6,958	1,082	8,040	-
Intergovernmental payable	4,605,258	-	4,605,258	-
Other payable	177,361	-	177,361	-
Long-term liabilities:				
Due within one year	148,104	101,746	249,850	-
Due in more than one year	7,013,783	2,630,262	9,644,045	-
Total liabilities	<u>12,574,619</u>	<u>2,874,771</u>	<u>15,449,390</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	2,632,799	-	2,632,799	-
Amounts related to pensions	409,763	55,498	465,261	-
Amounts related to other postemployment benefits	1,435	194	1,629	-
Total deferred inflows of resources	<u>3,043,997</u>	<u>55,692</u>	<u>3,099,689</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	(861,883)	7,243,076	6,381,193	837,221
Restricted	1,023,119	-	1,023,119	2,120,114
Unrestricted	(3,549,587)	1,516,560	(2,033,027)	-
Total net position	<u>\$ (3,388,351)</u>	<u>\$ 8,759,636</u>	<u>\$ 5,371,285</u>	<u>\$ 2,957,335</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, 2020

	Program Revenues				Net (Expense) Revenue and Change in Net Position			Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total	Richards Free Library
	Expenses							
Governmental activities:								
General government	\$ 1,934,154	\$ 13,608	\$ -	\$ -	\$ (1,920,546)	\$ -	\$ (1,920,546)	\$ -
Public safety	3,514,311	522,844	-	-	(2,991,467)	-	(2,991,467)	-
Highways and streets	3,475,602	-	186,298	1,326,492	(1,962,812)	-	(1,962,812)	-
Airport operations	134,308	114,031	3,139	-	(17,138)	-	(17,138)	-
Sanitation	3,319	34,293	-	-	30,974	-	30,974	-
Health	26,079	-	-	-	(26,079)	-	(26,079)	-
Welfare	217,629	-	-	-	(217,629)	-	(217,629)	-
Culture and recreation	756,251	102,721	-	-	(653,530)	-	(653,530)	-
Conservation	-	-	-	-	-	-	-	-
Economic development	72,608	-	-	-	(72,608)	-	(72,608)	-
Interest on long-term debt	13,209	-	-	-	(13,209)	-	(13,209)	-
Total governmental activities	10,147,470	787,497	189,437	1,326,492	(7,844,044)	-	(7,844,044)	-
Business-type activities:								
Water	884,009	885,511	114,560	-	-	116,062	116,062	-
Sewer	1,100,796	997,925	87,114	-	-	(15,757)	(15,757)	-
Total business-type activities	1,984,805	1,883,436	201,674	-	-	100,305	100,305	-
Total	\$12,132,275	\$2,670,933	\$ 391,111	\$1,326,492	(7,844,044)	100,305	(7,743,739)	-
Component Unit:								
Richards Free Library	\$ 344,807	\$ 213,625	\$ -	\$ -	-	-	-	(131,182)
General revenues:								
Taxes:								
Property					4,882,798	-	4,882,798	-
Other					275,676	-	275,676	-
Motor vehicle permit fees					1,220,250	-	1,220,250	-
Licenses and other fees					52,299	-	52,299	-
Grants and contributions not restricted to specific programs					683,802	-	683,802	-
Unrestricted investment earnings					40,405	27,089	67,494	-
Miscellaneous					354,738	-	354,738	311,427
Total general revenues					7,509,968	27,089	7,537,057	311,427
Special items:								
Principal forgiveness on long-term debt					69,907	195,379	265,286	-
Total general revenues and special items					7,579,875	222,468	7,802,343	311,427
Change in net position					(264,169)	322,773	58,604	180,245
Net position, beginning, as restated (see Note 21)					(3,124,182)	8,436,863	5,312,681	2,777,090
Net position, ending					\$ (3,388,351)	\$ 8,759,636	\$ 5,371,285	\$ 2,957,335

EXHIBIT C-1
TOWN OF NEWPORT, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
June 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,190,162	\$ 1,146,741	\$ 6,336,903
Investments	374,847	669,178	1,044,025
Taxes receivable	2,277,628	-	2,277,628
Accounts receivable (net)	324,450	507	324,957
Intergovernmental receivable	121,623	191,474	313,097
Interfund receivable	1,272,999	7,614	1,280,613
Inventory	-	12,283	12,283
Prepaid items	150,791	15,211	166,002
Tax deeded property, subject to resale	235,364	-	235,364
Total assets	<u>\$ 9,947,864</u>	<u>\$ 2,043,008</u>	<u>\$ 11,990,872</u>
LIABILITIES			
Accounts payable	\$ 444,640	\$ 5,162	\$ 449,802
Accrued salaries and benefits	91,384	81,969	173,353
Intergovernmental payable	4,605,258	-	4,605,258
Interfund payable	-	604,283	604,283
Other payable	177,361	-	177,361
Total liabilities	<u>5,318,643</u>	<u>691,414</u>	<u>6,010,057</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	3,288,967	-	3,288,967
Unavailable revenue - Grants and donations	-	175,426	175,426
Total deferred inflows of resources	<u>3,288,967</u>	<u>175,426</u>	<u>3,464,393</u>
FUND BALANCES (DEFICIT)			
Nonspendable	386,155	702,868	1,089,023
Restricted	-	320,251	320,251
Committed	307,725	606,095	913,820
Assigned	290,706	12,107	302,813
Unassigned (deficit)	355,668	(465,153)	(109,485)
Total fund balances	<u>1,340,254</u>	<u>1,176,168</u>	<u>2,516,422</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,947,864</u>	<u>\$ 2,043,008</u>	<u>\$ 11,990,872</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, 2020

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

Total fund balances of governmental funds (Exhibit C-1) \$ 2,516,422

Pension and other postemployment benefit (OPEB) related deferred outflows of current year, and therefore, are not reported in the governmental funds as follows:

Deferred outflows of resources related to pensions	\$ 857,194	
Deferred inflows of resources related to pensions	(409,763)	
Deferred outflows of resources related to OPEB	48,488	
Deferred inflows of resources related to OPEB	<u>(1,435)</u>	
		494,484

Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.

Receivables	\$ (604,283)	
Payables	<u>604,283</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. 831,594

Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual. (46,542)

Interest on long-term debt is not accrued in governmental funds.
Accrued interest payable (6,958)

Repayment of long-term liabilities not due until subsequent year are recorded in the governmental funds as prepaid items, but reduce the liability on the government-wide financial statements. (15,464)

Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.

Notes	\$ 710,460	
Capital leases	151,423	
Compensated absences	341,657	
Net pension liability	5,457,410	
Other postemployment benefits	<u>500,937</u>	
		<u>(7,161,887)</u>

Net position of governmental activities (Exhibit A) \$ (3,388,351)

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, 2020

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 5,043,478	\$ 57,107	\$ 5,100,585
Licenses and permits	1,272,549	-	1,272,549
Intergovernmental	515,599	1,096,350	1,611,949
Charges for services	633,635	153,862	787,497
Miscellaneous	255,621	144,272	399,893
Total revenues	<u>7,720,882</u>	<u>1,451,591</u>	<u>9,172,473</u>
EXPENDITURES			
Current:			
General government	1,587,493	48,479	1,635,972
Public safety	3,140,764	282,240	3,423,004
Highways and streets	1,280,585	2,257	1,282,842
Airport operations	-	117,714	117,714
Sanitation	3,319	-	3,319
Health	26,079	-	26,079
Welfare	211,546	6,083	217,629
Culture and recreation	713,890	25,686	739,576
Economic development	-	72,608	72,608
Debt service:			
Principal	79,143	-	79,143
Interest	68,028	-	68,028
Capital outlay	672,963	1,874,243	2,547,206
Total expenditures	<u>7,783,810</u>	<u>2,429,310</u>	<u>10,213,120</u>
Deficiency of revenues under expenditures	<u>(62,928)</u>	<u>(977,719)</u>	<u>(1,040,647)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	11,845	27,085	38,930
Transfers out	(27,085)	(11,845)	(38,930)
Loan proceeds	7,935	548,210	556,145
Total other financing sources (uses)	<u>(7,305)</u>	<u>563,450</u>	<u>556,145</u>
Net change in fund balances	(70,233)	(414,269)	(484,502)
Fund balances, beginning	<u>1,410,487</u>	<u>1,590,437</u>	<u>3,000,924</u>
Fund balances, ending	<u>\$ 1,340,254</u>	<u>\$ 1,176,168</u>	<u>\$ 2,516,422</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, 2020

Net change in fund balances of governmental funds (Exhibit C-3)		\$ (484,502)
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	\$ (38,930)	
Transfers out	<u>38,930</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	\$ 235,738	
Change in allowance for uncollectible property taxes	<u>(5,352)</u>	
		230,386
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-		
Proceeds of debt	\$ (145,610)	
Repayment and debt forgiveness of note principal	149,050	
Repayment of capital leases	<u>64,613</u>	
		68,053
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	\$ 5,670	
Increase in prepaid capital leases	(15,464)	
Decrease in compensated absences payable	83,459	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(112,868)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(38,903)</u>	
		<u>(78,106)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ (264,169)</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, 2020

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,199,117	\$ 5,199,117	\$ 5,101,367	\$ (97,750)
Licenses and permits	1,213,000	1,213,000	1,272,549	59,549
Intergovernmental	515,620	515,620	515,599	(21)
Charges for services	631,471	631,471	633,635	2,164
Miscellaneous	347,870	347,870	254,722	(93,148)
Total revenues	<u>7,907,078</u>	<u>7,907,078</u>	<u>7,777,872</u>	<u>(129,206)</u>
EXPENDITURES				
Current:				
General government	1,576,947	1,571,950	1,559,290	12,660
Public safety	3,331,646	3,331,644	3,179,132	152,512
Highways and streets	1,238,661	1,238,661	1,288,193	(49,532)
Sanitation	4,000	4,000	1,894	2,106
Health	27,955	27,955	26,079	1,876
Welfare	173,233	173,233	211,546	(38,313)
Culture and recreation	731,633	731,632	713,890	17,742
Debt service:				
Principal	79,143	79,143	79,143	-
Interest	6,624	6,624	6,622	2
Other	61,406	61,406	61,406	-
Capital outlay	612,829	612,829	405,601	207,228
Total expenditures	<u>7,844,077</u>	<u>7,839,077</u>	<u>7,532,796</u>	<u>306,281</u>
Excess of revenues over expenditures	<u>63,001</u>	<u>68,001</u>	<u>245,076</u>	<u>177,075</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	12,000	12,000	11,845	(155)
Transfers out	(75,001)	(80,001)	(102,085)	(22,084)
Note proceeds	-	-	7,935	7,935
Total other financing sources (uses)	<u>(63,001)</u>	<u>(68,001)</u>	<u>(82,305)</u>	<u>(14,304)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	162,771	<u>\$162,771</u>
Increase in nonspendable fund balance			(66,898)	
Unassigned fund balance, beginning			869,421	
Unassigned fund balance, ending			<u>\$ 965,294</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, 2020

	Business-type Activities		
	Enterprise Funds		
	Water	Sewer	
	Department	Department	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 595,178	\$ 880,431	\$ 1,475,609
Investments	59,508	243,155	302,663
Accounts receivable	402,372	430,554	832,926
Internal balances	190,857	-	190,857
Restricted assets:			
Cash and cash equivalents	173,877	323,680	497,557
Total current assets	1,421,792	1,877,820	3,299,612
Noncurrent assets:			
Intergovernmental receivable	21,724	39,633	61,357
Capital assets:			
Land and construction in progress	95,122	2,564,222	2,659,344
Other capital assets, net of depreciation	2,928,109	3,486,199	6,414,308
Total noncurrent assets	3,044,955	6,090,054	9,135,009
Total assets	4,466,747	7,967,874	12,434,621
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	62,271	53,827	116,098
Amounts related to other postemployment benefits	3,522	3,045	6,567
Total deferred outflows of resources	65,793	56,872	122,665
LIABILITIES			
Current liabilities:			
Accounts payable	37,913	103,768	141,681
Accrued interest payable	586	496	1,082
Internal balances	351,358	515,829	867,187
Noncurrent liabilities:			
Due within one year	64,216	37,530	101,746
Due in more than one year	1,435,436	1,194,826	2,630,262
Total liabilities	1,889,509	1,852,449	3,741,958
DEFERRED INFLOWS OF RESOURCES			
Amounts related to pensions	29,767	25,731	55,498
Amounts related to other postemployment benefits	104	90	194
Total deferred inflows of resources	29,871	25,821	55,692
NET POSITION			
Net investment in capital assets	1,995,719	5,247,357	7,243,076
Unrestricted	617,441	899,119	1,516,560
Total net position	\$ 2,613,160	\$ 6,146,476	\$ 8,759,636

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, 2020

	Business-type Activities Enterprise Funds		
	Water Department	Sewer Department	Total
Operating revenues:			
User charges	\$ 884,211	\$ 973,310	\$ 1,857,521
Miscellaneous	1,300	24,615	25,915
Total operating revenues	<u>885,511</u>	<u>997,925</u>	<u>1,883,436</u>
Operating expenses:			
Salaries and wages	509,412	455,931	965,343
Operation and maintenance	280,676	403,601	684,277
Depreciation	92,684	226,764	319,448
Total operating expenses	<u>882,772</u>	<u>1,086,296</u>	<u>1,969,068</u>
Operating gain (loss)	<u>2,739</u>	<u>(88,371)</u>	<u>(85,632)</u>
Nonoperating revenue (expense):			
Interest income	3,446	23,643	27,089
Intergovernmental revenues	114,560	87,114	201,674
Interest expense	(1,237)	(14,500)	(15,737)
Special Item - Principal forgiveness on long-term debt	109,417	85,962	195,379
Total nonoperating revenues (expenses)	<u>226,186</u>	<u>182,219</u>	<u>408,405</u>
Change in net position	228,925	93,848	322,773
Net position, beginning	<u>2,384,235</u>	<u>6,052,628</u>	<u>8,436,863</u>
Net position, ending	<u>\$ 2,613,160</u>	<u>\$ 6,146,476</u>	<u>\$ 8,759,636</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, 2020

	Business-type Activities		
	Enterprise Funds		
	Water Department	Sewer Department	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 801,352	\$ 2,633,795	\$ 3,435,147
Payments to employees	(453,840)	(417,294)	(871,134)
Payments to suppliers	(134,960)	(410,566)	(545,526)
Net cash provided by operating activities	212,552	1,805,935	2,018,487
Cash flows from capital and related financing activities:			
Debt issuances	107,500	7,935	115,435
Principal paid on bonds	(46,144)	(3,243,160)	(3,289,304)
Acquisition and construction of fixed assets	(230,866)	(109,430)	(340,296)
Interest paid	(2,540)	(187,209)	(189,749)
Net cash used for capital and related financing activities	(172,050)	(3,531,864)	(3,703,914)
Cash flows from non-capital financing activities:			
State aid - water filtration grant	125,422	100,324	225,746
Cash flows from investing activities:			
Transfer to capital reserve funds	-	(30,000)	(30,000)
Interest received	3,215	22,863	26,078
Net cash used by (used for) investing activities	3,215	(7,137)	(3,922)
Net increase (decrease) in cash	169,139	(1,632,742)	(1,463,603)
Cash, beginning	599,916	2,836,853	3,436,769
Cash, ending	\$ 769,055	\$ 1,204,111	\$ 1,973,166

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

Operating gain (loss)	\$ 2,739	\$ (88,371)	\$ (85,632)
Adjustments to reconcile operating gain to net cash provided by operating activities:			
Depreciation expense	92,684	226,764	319,448
Changes in accounts receivable	(84,159)	1,635,870	1,551,711
Changes in interfund receivables	9,096	185,752	194,848
Changes in deferred outflows of resources	4,197	5,686	9,883
Changes in accounts payable	(69,479)	(182,463)	(251,942)
Changes in retainage payable	-	(110,858)	(110,858)
Changes in interfund payables	206,099	100,604	306,703
Changes in compensated absences payable	2,350	2,739	5,089
Changes in net pension liability	51,246	34,147	85,393
Changes in OPEB liability	4,137	2,627	6,764
Changes in deferred inflows of resources	(6,358)	(6,562)	(12,920)
Total adjustments	209,813	1,894,306	2,104,119
Net cash provided by operating activities	\$ 212,552	\$ 1,805,935	\$ 2,018,487

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 Fiduciary Net Position
June 30, 2020

	Private Purpose Trust	All Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 18,889	\$ -
Investments	710,901	305,558
Intergovernmental	-	4,535,745
Total assets	<u>729,790</u>	<u>4,841,303</u>
LIABILITIES		
Intergovernmental payables:		
School	-	3,903,501
County	-	632,244
Total liabilities	<u>-</u>	<u>4,535,745</u>
NET POSITION		
Restricted	<u>\$ 729,790</u>	<u>\$ 305,558</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 Fiduciary Net Position
For the Fiscal Year Ended June 30, 2020

	Private Purpose Trust	All Custodial Funds
ADDITIONS		
Contributions	\$ 50,000	\$ -
Investment earnings	11,525	749
Change in fair market value	5,836	-
Taxes collected for other governments	-	8,893,887
Total additions	<u>67,361</u>	<u>8,894,636</u>
DEDUCTIONS		
Payments of taxes to other governments	-	8,893,887
Payments for scholarship purposes	<u>22,925</u>	-
Total deductions	<u>22,925</u>	<u>8,893,887</u>
Net change in fiduciary net position	44,436	749
Net position, beginning, as restated (see Note 21)	<u>685,354</u>	<u>304,809</u>
Net position, ending	<u>\$ 729,790</u>	<u>\$ 305,558</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, 2020

	<u>NOTE</u>
Summary of Significant Accounting Policies	1
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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, 2019.

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 Town's 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 of the Town's single employer plan 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.

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.

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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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The Town reports the following major governmental fund:

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

Additionally, the Town reports the following fund types:

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

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

Permanent Fund – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town. These can include 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 fifteen nonmajor governmental funds.

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

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

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

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.

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Fiduciary Fund Financial Statements – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Town's Fiduciary Funds are private purpose trust and custodial funds, which are custodial in nature. 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 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.

Custodial Fund – are custodial in nature and do not belong to the primary government. A custodial 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.

1-E Statement of Cash Flows

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

1-F Investments

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

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

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

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

TOWN OF NEWPORT, NEW HAMPSHIRE
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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.

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, the level in the fair value hierarchy is 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 at amortized cost. There are no redemption restrictions and shares may be redeemed by the Town in accordance with the NHPDIP's Information Statement.

1-G Receivables

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

1-H Inventory

The inventories of the Town are valued at cost using the first-in/first-out (FIFO) method. The inventories of the Town's nonmajor Airport Fund consist of fuel held for subsequent sale. The cost is recorded as an expenditures/expenses when consumed 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 in both government-wide and fund financial statements, and expenses/expenditures as the items are used. Under the full accrual basis of accounting used for the government-wide financial statements, prepayments of debt are recognized as they occurred (see Note 14).

TOWN OF NEWPORT, NEW HAMPSHIRE
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1-J Capital Assets

Capital Assets are reported in the business-type activities column in the government-wide and proprietary fund 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. Purchases or constructed assets are recorded at actual costs 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 of 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 materiality 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 in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on May 21, 2019, and November 4, 2019, and due on July 1, 2019, and December 10, 2019. Interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding. The Town placed a lien on all outstanding taxes from 2019 on March 27, 2020.

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, 2020, utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$433,249,619
For all other taxes	\$415,858,519

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The tax rates and amounts assessed for the year ended June 30, 2020, were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$11.92	\$ 5,162,506
School portion:		
State of New Hampshire	\$2.14	890,709
Local	\$15.61	6,763,446
County portion	\$2.86	1,239,732
Total	<u>\$32.53</u>	<u>\$ 14,056,393</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, 2020.

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 Statements of Net Position.

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 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.

TOWN OF NEWPORT, NEW HAMPSHIRE
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1-R Postemployment Benefits Other Than Pensions

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-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, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

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

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

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

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.

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 during the period reported. These estimates include assessing the collectability of accounts, taxes and ambulance receivables, and the useful lives of capital assets, net pension liability, other postemployment benefit liability, deferred outflows and inflows of resources related to both pension and other postemployment benefits, 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 upcoming year for the General, Proprietary, and nonmajor Airport Funds. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

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 2020, none of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

While the Town reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for each major governmental fund which had a budget. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 7,797,652
Adjustments:	
Basis differences:	
GASB Statement No. 54:	
To record revenue of the blended funds	899
Change in deferred tax revenue relating to 60-day revenue recognition	(63,241)
Change in reserve for uncollectible property taxes	5,352
Per Exhibit C-3 (GAAP basis)	\$ 7,740,662
	<i>(Continued)</i>

TOWN OF NEWPORT, NEW HAMPSHIRE
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Budgetary reconciliation to GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$7,634,881
Adjustments:	
Basis differences:	
Encumbrances, beginning	488,111
Encumbrances, ending	(290,706)
GASB Statement No. 54:	
To record expenditures of the blended funds	53,609
To eliminate transfers between general and blended funds	(75,000)
Per Exhibit C-3 (GAAP basis)	<u>\$7,810,895</u>

2-C Deficit Fund Balances

The Airport Special Revenue Fund and the Bridge Capital Project Fund each had deficit fund balances of \$32,659 and \$405,000, respectively, at June 30, 2020. 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. The deficit for the Bridge Capital Project Fund will be financed through subsidies from the General Fund or issuance of long-term bonds to cover the local share of the project expenditures.

2-D Accounting Change

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meet specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or other condition is required to be taken or met by the beneficiary to release the assets. Beginning net position for the fiduciary funds was restated to retroactively report the change in accounting principle, see Note 21.

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 was \$8,489,526 and the bank balances totaled \$8,432,619. Petty cash totaled \$960.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$8,470,637
Cash per Statement of Net Position - Fiduciary Fund (Exhibit F-1)	18,889
Total cash and cash equivalents	<u>\$8,489,526</u>

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 – RESTRICTED ASSETS

Restricted cash in the proprietary funds at June 30, 2020, consisted of the following:

Water department:	
Water hookup fees	\$ 173,877
Sewer department:	
Sewer hookup fees	212,767
Sewer retainage	110,913
Total sewer department	323,680
Total restricted cash	\$ 497,557

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. Since 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 and maturities as of June 30, 2020:

	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
Investments type:				
Certificates of deposit	\$ 915,946	\$ -	\$ -	\$ 915,946
Common stock	181,672	-	-	181,672
Corporate bonds	-	189,282	-	189,282
Equity exchange traded funds	1,985,367	-	-	1,985,367
Equity mutual funds	224,224	-	-	224,224
Fixed income exchange traded funds	-	26,880	-	26,880
Fixed income mutual funds	-	24,825	-	24,825
Municipal bonds	-	155,597	-	155,597
U.S. Government agency bonds	-	772	-	772
U.S. Treasury bonds	-	251,242	-	251,242
Total fair value of investments	\$ 3,307,209	\$ 648,598	\$ -	3,955,807
Investments carried at amortized cost:				
NH Public Deposit Investment Pool				366,886
				\$ 4,322,693

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, 2020:

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	\$ 915,946	\$ 915,946	\$ -	\$ -	\$ -	\$ -
Common stock	181,672	181,672	-	-	-	-
Corporate bonds	189,282	-	-	51,354	137,928	-
Equity exchange traded funds	1,985,367	1,985,367	-	-	-	-
Equity mutual funds	224,224	224,224	-	-	-	-
Fixed income exchange traded funds	26,880	26,880	-	-	-	-
Fixed income mutual funds	24,825	24,825	-	-	-	-
Municipal bonds	155,597	-	30,048	30,433	64,824	30,292
New Hampshire Public Deposit Investment Pool	366,886	366,886	-	-	-	-
U.S. Government agency bonds	772	-	772	-	-	-
U.S. Treasury bonds	251,242	-	60,429	63,534	97,546	29,733
Total	<u>\$ 4,322,693</u>	<u>\$ 3,725,800</u>	<u>\$ 91,249</u>	<u>\$ 145,321</u>	<u>\$ 300,298</u>	<u>\$ 60,025</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 investment pool had the following credit risk structure at June 30, 2020:

Investments Type	Reported Balance	Exempt from Disclosure	Rating as of Year-End				
			Aaa	Aa	A	Baa	Ba
Certificates of deposit	\$ 915,946	\$ 915,946	\$ -	\$ -	\$ -	\$ -	\$ -
Common stock	181,672	181,672	-	-	-	-	-
Corporate bonds	189,282	-	70,036	34,177	-	59,689	25,380
Equity exchange traded funds	1,985,367	1,985,367	-	-	-	-	-
Equity mutual funds	224,224	224,224	-	-	-	-	-
Fixed income exchange traded fur	26,880	26,880	-	-	-	-	-
Fixed income mutual funds	24,825	24,825	-	-	-	-	-
Municipal bonds	155,597	-	32,290	93,014	30,293	-	-
New Hampshire Public Deposit Investment Pool	366,886	366,886	-	-	-	-	-
U.S. Government agency bonds	772	-	772	-	-	-	-
U.S. Treasury bonds	251,242	-	251,242	-	-	-	-
Total	<u>\$4,322,693</u>	<u>\$3,725,800</u>	<u>\$354,340</u>	<u>\$127,191</u>	<u>\$30,293</u>	<u>\$59,689</u>	<u>\$25,380</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 polices 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)	\$3,306,234
Investments per Statement of Net Position - Fiduciary Funds (Exhibit F-1)	1,016,459
Total investments	<u>\$4,322,693</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, 2020. The amount has been reduced by an allowance for an estimated uncollectible amount of \$46,542. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2020	\$1,554,015	\$1,554,015
Levy of 2019	2,726	2,726
Unredeemed (under tax lien):		
Levy of 2019	335,588	335,588
Levy of 2018	259,797	259,797
Levies of 2017 and prior	120,985	120,985
Yield	4,517	4,517
Less: allowance for estimated uncollectible taxes	(46,542) *	-
Net taxes receivable	<u>\$2,231,086</u>	<u>\$2,277,628</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, 2020, consisted of accounts (billings for police dails, 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, 2020 for the Town's governmental and proprietary in the aggregate including applicable allowances for uncollectible accounts are as follows:

	Governmental Funds			Proprietary Funds		
	General	Nonmajor	Total	Water Department	Sewer Department	Total
Receivables:						
Accounts	\$ 878,648	\$ 507	\$ 879,155	\$402,372	\$ 430,554	\$ 832,926
Intergovernmental	121,623	191,474	313,097	21,724	39,633	61,357
Gross receivables	<u>1,000,271</u>	<u>191,981</u>	<u>1,192,252</u>	<u>424,096</u>	<u>470,187</u>	<u>894,283</u>
Less allowance						
for uncollectibles	(554,198)	-	(554,198)	-	-	-
Net total receivables	<u>\$ 446,073</u>	<u>\$191,981</u>	<u>\$ 638,054</u>	<u>\$424,096</u>	<u>\$ 470,187</u>	<u>\$ 894,283</u>

NOTE 8 – PREPAID ITEMS

Prepaid items at June 30, 2020 consisted of the following:

	Governmental Activities	General Fund	Other Governmental Funds	Total Governmental Funds
Insurance	\$ 41,295	\$ 41,295	\$ -	\$ 41,295
Dues/fees	9,464	9,464	-	9,464
Postage	470	470	-	470
Taxes	9,009	9,009	-	9,009

(Continued)

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Prepaid items continued:

	Governmental Activities	General Fund	Other Governmental Funds	Total Governmental Funds
Vehicles and equipment	74,640	74,640	-	74,640
Capital lease	-	15,464 *	-	15,464
Miscellaneous	449	449	-	449
Fuel	15,211	-	15,211	15,211
Total	<u>\$150,538</u>	<u>\$150,791</u>	<u>\$ 15,211</u>	<u>\$ 166,002</u>

*Not recognized on the full accrual basis of accounting.

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 442,421	\$ 31,250	\$ -	\$ 473,671
Construction in progress	2,251,326	7,614	(73,267)	2,185,673
Total capital assets not being depreciated	<u>2,693,747</u>	<u>38,864</u>	<u>(73,267)</u>	<u>2,659,344</u>
Being depreciated:				
Buildings and building improvements	6,333,419	-	-	6,333,419
Machinery and equipment	1,819,311	7,215	-	1,826,526
Other improvements	5,053,711	2,126,094	-	7,179,805
Total capital assets being depreciated	<u>13,206,441</u>	<u>2,133,309</u>	<u>-</u>	<u>15,339,750</u>
Total all capital assets	<u>15,900,188</u>	<u>2,172,173</u>	<u>(73,267)</u>	<u>17,999,094</u>
Less accumulated depreciation:				
Buildings and building improvements	(4,682,188)	(156,361)	-	(4,838,549)
Machinery and equipment	(1,609,316)	(38,112)	-	(1,647,428)
Other improvements	(2,314,490)	(124,975)	-	(2,439,465)
Total accumulated depreciation	<u>(8,605,994)</u>	<u>(319,448)</u>	<u>-</u>	<u>(8,925,442)</u>
Net book value, capital assets being depreciated	<u>4,600,447</u>	<u>1,813,861</u>	<u>-</u>	<u>6,414,308</u>
Net book value, all business-type activities capital assets	<u>\$7,294,194</u>	<u>\$1,852,725</u>	<u>\$(73,267)</u>	<u>\$9,073,652</u>
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	<u>1,159,365</u>	<u>-</u>	<u>-</u>	<u>1,159,365</u>
Total all capital assets	<u>1,159,365</u>	<u>-</u>	<u>-</u>	<u>1,159,365</u>
Less accumulated depreciation:				
Land improvements	(1,716)	(1,716)	-	(3,432)
Buildings and building improvements	(290,084)	(28,628)	-	(318,712)
Total accumulated depreciation	<u>(291,800)</u>	<u>(30,344)</u>	<u>-</u>	<u>(322,144)</u>
Net book value, capital assets being depreciated	<u>867,565</u>	<u>(30,344)</u>	<u>-</u>	<u>837,221</u>
Net book value, all business-type activities capital assets	<u>\$ 867,565</u>	<u>\$ (30,344)</u>	<u>\$ -</u>	<u>\$ 837,221</u>

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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	\$ 92,684
Sewer	226,764
Total depreciation expense	<u>\$ 319,448</u>
Discretely presented component unit:	
Library	<u>\$ 30,344</u>

NOTE 10 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of June 30, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
Governmental fund:		
General	Nonmajor	\$ 604,283
	Water	351,358
	Sewer	515,829
		<u>1,471,470</u>
Business-type activities:		
Water	Sewer	190,857
Nonmajor	Water	7,614
		<u>198,471</u>
		<u>\$ 1,669,941</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, 2020 is as follows:

	Transfers In:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ -	\$ 27,085	\$ 27,085
Nonmajor fund	11,845	-	11,845
Total	<u>\$ 11,845</u>	<u>\$ 27,085</u>	<u>\$ 38,930</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.

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NOTE 11 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at June 30, 2020, consist of the following:

	General Fund	Custodial Funds
Property taxes levied prior to their due date and payable to:		
Newport School District	\$3,903,501	\$3,903,501 *
Sullivan County	632,244	632,244 *
New Hampshire Retirement System's June Payment	61,946	-
Miscellaneous fees due to the State of New Hampshire	7,567	-
Total intergovernmental payables due	<u>\$4,605,258</u>	<u>\$4,535,745</u>

*Balances are off-set by intergovernmental receivable representing amounts due from the general fund.

NOTE 12 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

	Governmental Activities	Business-type Activities and Proprietary Funds		
		Water Department	Sewer Department	Total
Amounts related to pensions, see Note 15	\$ 857,194	\$ 62,271	\$ 53,827	\$ 116,098
Amounts related to OPEB, see Note 16	48,488	3,522	3,045	6,567
Total deferred inflows of resources	<u>\$ 905,682</u>	<u>\$ 65,793</u>	<u>\$ 56,872</u>	<u>\$ 122,665</u>

Deferred inflows of resources are as follows:

	Governmental Activities	General Fund	Other Governmental Funds	Business-type Activities and Proprietary Funds		
				Water Department	Sewer Department	Total
Property taxes levied prior to their due date	\$2,632,799	\$2,632,799	\$ -	\$ -	\$ -	\$ -
Property tax receivables not collected within 60 days of the end of the year*	-	656,168 *	-	-	-	-
Grant revenue collected in advance of eligible expenditures*	-	-	175,426 *	-	-	-
Amounts related to pensions, see Note 15	409,763	-	-	29,767	25,731	55,498
Amounts related to OPEB, see Note 16	1,435	-	-	104	90	194
Total deferred inflows of resources	<u>\$3,043,997</u>	<u>\$3,288,967</u>	<u>\$ 175,426</u>	<u>\$29,871</u>	<u>\$ 25,821</u>	<u>\$ 55,692</u>

* The amounts are not recognized on the full accrual basis of accounting as presented on the Statement of Net Position.

NOTE 13 – CAPITAL LEASES

The Town has entered into 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, 2020
Capital lease obligations:		
Sidewalk plow	4.50%	\$ 14,797
SCBA tanks	3.54%	120,761
Airport tractor	4.50%	15,865
Total capital lease obligations		<u>\$ 151,423</u>

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The annual requirements to amortize the capital leases payable as of June 30, 2020, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2021	\$ 43,371
2022	42,239
2023	26,777
2024	26,777
2025	26,777
Total requirements	165,941
Less: interest	14,518
Present value of remaining payments	<u>\$ 151,423</u>

NOTE 14 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2020:

	Balance July 1, 2019 (as restated)	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Governmental activities:					
Notes payable	\$ 713,900	\$ 145,610	\$ (149,050)	\$ 710,460	\$ 109,737
Capital leases	216,036	-	(64,613)	151,423	38,367
Compensated absences	425,116	3,508	(86,967)	341,657	-
Net pension liability	5,335,373	122,037	-	5,457,410	-
Net other postemployment benefits	498,501	2,436	-	500,937	-
Total long-term liabilities	<u>\$ 7,188,926</u>	<u>\$ 273,591</u>	<u>\$ (300,630)</u>	<u>\$ 7,161,887</u>	<u>\$ 148,104</u>
Business-type activities and proprietary funds:					
General obligation bonds and notes payable	\$ 4,797,224	\$ 518,035	\$ (3,484,683)	\$ 1,830,576	\$ 101,746
Compensated absences	89,346	5,089	-	94,435	-
Net pension liability	653,757	85,393	-	739,150	-
Net other postemployment benefits	61,083	6,764	-	67,847	-
Total long-term liabilities	<u>\$ 5,601,410</u>	<u>\$ 615,281</u>	<u>\$ (3,484,683)</u>	<u>\$ 2,732,008</u>	<u>\$ 101,746</u>

It was noted that capital lease principal in the amount of \$14,161 was prepaid and was reported as prepaid item on the Governmental Fund Balance Sheet and a reduction to the liability on the Statement of Net Position.

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

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2020
Governmental activities:					
Notes payable:					
Pumper/rescue truck	\$ 900,000	2007	2021	4.1000	\$ 82,469
1st, 2nd, 3rd, 4th Knoll St. - State Revolving Loan (2)	\$ 697,898	2020	2040	2.0000	627,991
Total					<u>710,460</u>
Business-type activities and proprietary funds:					
General obligation bonds and notes payable:					
Water treatment plant	\$ 1,050,000	1992	2022	5.5000	8,620
Parkview sewer project	\$ 120,000	2005	2026	4.5000	20,300
1st, 2nd, 3rd, 4th Knoll St. - State Revolving Loan (1)	\$ 63,424	2019	2024	0.6125	40,801
1st, 2nd, 3rd, 4th Knoll St. - State Revolving Loan (2)	\$ 860,791	2020	2040	2.0000	774,829
1st, 2nd, 3rd, 4th Knoll St. - DWGT	\$ 967,324	2020	2040	2.4200	870,592
SCADA System - State Revolving Loan	\$ 107,500	2020	2030	1.5200	107,500
Asset Management - State Revolving Loan*	\$ 7,934	2020	-	-	7,934
Total					<u>1,830,576</u> <u>\$ 2,541,036</u>

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***State Revolving Loan Fund Program** – 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, 2020, drawdowns received to date totaling \$7,934 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 Sewer Department Fund.

The annual requirements to amortize the **governmental activities** notes payable outstanding as of June 30, 2020, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 109,737	\$ 14,517	\$ 124,254
2022	26,296	12,038	38,334
2023	26,824	11,511	38,335
2024	27,361	10,973	38,334
2025	27,909	10,425	38,334
2026-2030	148,164	43,508	191,672
2031-2035	163,614	28,059	191,673
2036-2040	180,555	11,001	191,556
Totals	\$ 710,460	\$ 142,032	\$ 852,492

The annual requirements to amortize the **business-type activities and proprietary funds** bonds and notes payable outstanding as of June 30, 2020, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 112,496	\$ 35,769	\$ 148,265
2022	90,845	37,279	128,124
2023	92,544	35,399	127,943
2024	94,280	33,484	127,764
2025	85,695	31,530	117,225
2026-2030	435,749	129,727	565,476
2031-2035	430,427	82,626	513,053
2036-2040	480,606	32,566	513,172
Totals	1,822,642	\$ 418,380	\$ 2,241,022
Plus notes not yet in repayment	7,934		
Total bonds/notes payable	\$ 1,830,576		

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, 2020 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 Street Bridge	407,000
May 10, 2016	1st, 2nd, 3rd, 4th Knoll Street's Infrastructure Project	477,087
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	52,065
May 4, 2019	Wastewater treatment plant upgrade	4,500,000
		<u>\$ 7,814,115</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 a 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 – Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). 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.

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service and benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by 1/1/12 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by 1/1/12 the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

Years of Creditable Service as of 1/1/12	Minimum Age	Minimum Service	Benefit Multiplier
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

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 (employee and teacher) members are required to contribute 7% of earnable compensation and Group II (police and fire) members contribute 11.55% and 11.80% respectively. For fiscal year 2020, the Town contributed 24.77% for police, 26.43% for fire and 10.88% for other employees. The contribution requirement for the fiscal year 2020 was \$518,806, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2020 the Town reported a liability of \$6,196,560, of which \$5,457,410 reported in the governmental activities and \$739,150 reported in the business-type activities and proprietary funds for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the Town's proportion was .12878232% which was an increase of .00440271% from its proportion measured as of June 30, 2019.

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For the year ended June 30, 2020, the Town recognized pension expense of \$709,001. At June 30, 2020 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	\$ 175,298	\$ 247,833
Changes in assumptions	195,810	-
Net difference between projected and actual investment earnings on pension plan investments	-	44,579
Differences between expected and actual experience	30,175	117,351
Contributions subsequent to the measurement date	455,911	-
Total governmental activities	<u>857,194</u>	<u>409,763</u>
Business-type activities:		
Changes in proportion	23,742	33,567
Changes in assumptions	26,520	-
Net difference between projected and actual investment earnings on pension plan investments	-	6,038
Differences between expected and actual experience	4,087	15,893
Contributions subsequent to the measurement date	61,749	-
Total business-type activities	<u>116,098</u>	<u>55,498</u>
Grand total	<u>\$ 973,292</u>	<u>\$ 465,261</u>

The \$517,660 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, 2021. 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
2020	\$ 133,655	\$ 18,102	\$ 151,757
2021	(142,458)	(19,294)	(161,752)
2022	(41,649)	(5,641)	(47,290)
2023	41,971	5,685	47,656
2024	-	-	-
Thereafter	-	-	-
Totals	<u>\$ (8,481)</u>	<u>\$ (1,148)</u>	<u>\$ (9,629)</u>

Actuarial Assumptions – The collective total pension liability was based on the following assumptions:

Inflation:	2.0%
Salary increases:	5.6% average, including inflation
Wage inflation:	2.75% (2.25% for teachers)
Investment rate of return:	6.75% net of pension plan investment expense, including inflation

Mortality rates were based on the Pub-2010 Health Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

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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 geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2020
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25% 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, 2019	\$ 8,297,450	\$ 6,196,561	\$ 4,460,192

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.

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NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

16-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system which administers a cost-sharing multiple-employer other postemployment benefit (OPEB) plan. For additional system information, please refer to the 2019 Comprehensive Annual Financial Report, which can be found on the system's website at www.nhrs.org.

Benefits Provided – 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 2020 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 2020, the Town contributed 3.66% for police and fire, and 0.29% for other employees. The contribution requirement for the fiscal year 2020 was \$51,850, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2020, the Town reported a liability of \$568,784, of which \$500,937 reported in the governmental activities and \$67,847 reported in the business-type activities and proprietary funds for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2020, the Town's proportion was .12973763% which was an increase of .0075166% from its proportion measured as of June 30, 2019.

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For the year ended June 30, 2020, the Town recognized OPEB expense of \$100,921. At June 30, 2020, 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	\$ 3,222	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	563
Differences between expected and actual experience	-	872
Contributions subsequent to the measurement date	45,266	-
Total governmental activities	<u>48,488</u>	<u>1,435</u>
Business-type activities:		
Changes in proportion	436	-
Net difference between projected and actual investment earnings on pension plan investments	-	76
Differences between expected and actual experience	-	118
Contributions subsequent to the measurement date	6,131	-
Total business-type activities	<u>6,567</u>	<u>194</u>
Grand total	<u>\$ 55,055</u>	<u>\$ 1,629</u>

The \$51,397 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, 2021. 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
2020	\$ 1,976	\$ 268	\$ 2,244
2021	(373)	(51)	(424)
2022	39	5	44
2023	145	20	165
2024	-	-	-
Thereafter	-	-	-
Totals	<u>\$ 1,787</u>	<u>\$ 242</u>	<u>\$ 2,029</u>

Actuarial Assumptions – The collective total OPEB liability was based on the following actuarial assumptions:

Inflation:	2.0%
Salary increases:	5.6 % average, including inflation
Wage inflation:	2.75 % (2.25%) for teachers
Investment rate of return:	6.75 % net of OPEB plan investment expense, including inflation for determining solvency contributions

Mortality rates were based on the Pub-2010 Health Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

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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 geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2020
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2020, was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. 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, 2019	\$ 568,784	\$ 616,933	\$ 526,946

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Assumption – GASB No. 75 requires the sensitivity of the OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are fixed stipends, there is no sensitivity to changes in the healthcare cost trend assumption.

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 in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the Town's contractual agreements. Expenses for the cost of providing health insurance for currently enrolled retirees are recognized in the general fund of the funds financial statements as payments are made.

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, 2020, 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 Town's single employer plan are unknown.

NOTE 17 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at June 30, 2020 and are as follows:

General fund:	
General government	\$ 48,049
Public safety	48,368
Highways and streets	61,082
Culture and recreation	1,308
Capital outlay	131,899
Total encumbrances	<u>\$ 290,706</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	\$ 39,633
Guild Station	21,724
Total	<u>\$ 61,357</u>

Under New Hampshire RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At June 30, 2020 the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending	Amount
June 30,	
2021	\$ 24,073
2022	24,073
2023	13,211
Total	<u>\$ 61,357</u>

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NOTE 19 – GOVERNMENTAL ACTIVITIES AND FIDUCIARY FUNDS NET POSITION

Net position reported on the government wide and fiduciary funds Statements of Net Position at June 30, 2020 include the following:

	Government-wide Financial Statements			Fiduciary	Component
	Governmental	Business-type	Total	Funds	Unit
	Activities	Activities			
Net investment in capital assets:					
Net book value, all capital assets	\$ -	\$ 9,073,652	\$ 9,073,652	\$ -	\$ 837,221
Less:					
General obligation bonds/notes payable	(710,460)	(1,830,576)	(2,541,036)	-	-
Capital leases payable	(151,423)	-	(151,423)	-	-
Total net investment in capital assets	(861,883)	7,243,076	6,381,193	-	837,221
Restricted net position:					
Airport	27,494	-	27,494	-	-
Police drug forfeiture	5,477	-	5,477	-	-
Economic coordinator	76,521	-	76,521	-	-
Capital projects	230,841	-	230,841	-	-
Permanent funds - nonexpendable	675,374	-	675,374	-	-
Permanent funds - expendable	7,412	-	7,412	-	-
Individuals, organizations, and other governments	-	-	-	1,035,348	-
Library purposes	-	-	-	-	2,120,114
Total restricted net position	1,023,119	-	1,023,119	1,035,348	2,120,114
Unrestricted	(3,549,587)	1,516,560	(2,033,027)	-	-
Total net position	\$ (3,388,351)	\$ 8,759,636	\$ 5,371,285	\$ 1,035,348	\$ 2,957,335

NOTE 20 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2020 include the following:

	General	Nonmajor	Total
	Fund	Funds	Governmental
			Funds
Nonspendable:			
Prepaid items	\$ 150,791	\$ 15,211	\$ 166,002
Tax deeded property	235,364	-	235,364
Permanent fund - principal balance	-	675,374	675,374
Inventory	-	12,283	12,283
Total nonspendable fund balance	386,155	702,868	1,089,023
Restricted:			
Police drug forfeiture	-	5,477	5,477
Economic coordinator	-	76,521	76,521
Town hall improvements	-	230,841	230,841
Permanent - income balance	-	7,412	7,412
Total restricted fund balance	-	320,251	320,251
Committed:			
Expendable trust	307,725	-	307,725
Conservation commission	-	36,301	36,301
Police details	-	29,236	29,236
Bald Mt TIF District	-	310,647	310,647
Recreation Revolving	-	229,911	229,911
Total committed fund balance	307,725	606,095	913,820

(Continued)

TOWN OF NEWPORT, NEW HAMPSHIRE
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Governmental fund balances continued:

	General Fund	Nonmajor Funds	Total Governmental Funds
Assigned:			
Encumbrances	290,706	-	290,706
Ambulance	-	12,107	12,107
Total assigned fund balance	290,706	12,107	302,813
Unassigned (deficit)	355,668	(465,153)	(109,485)
Total governmental fund balances	\$ 1,340,254	\$ 1,176,168	\$ 2,516,422

NOTE 21 – PRIOR PERIOD ADJUSTMENTS

Net position at July 31, 2019, was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	Fiduciary Funds
To restate for the cumulative changes related to implementation of GASB Statement No. 84	\$ -	\$ 304,809
To restate for long-term debt, incorrectly reported as part of the governmental activities	1,356,009	-
Net position, as previously reported	(4,480,191)	-
Net position, as restated	\$ (3,124,182)	\$ 304,809

NOTE 22 – SPECIAL ITEMS

In August 2019 and June 2020, the Town completed various capital projects relating to the 1st, 2nd, 3rd, 4th Knoll Streets. Upon completion of the projects, principal forgiveness was recognized in the governmental activities (\$69,907) and business-type activities (\$195,379) in accordance with the finalized supplemental loan agreements. This principal forgiveness was recognized as both a reduction in the liability owed, as well as a special item on the Statement of Activities (Exhibit B).

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 2020, 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 January 1, 2020, to June 30, 2020, by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In 2020 the Town paid \$162,196 and \$93,850 respectively, to Primex for property, liability, and worker's compensation. 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.

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NOTE 24 – 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 25 – COVID-19

As a result of the spread of COVID-19, Coronavirus, economic uncertainties continue. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the budget approved for 2020; and were incurred during the period that begins on March 1, 2020, and ends on June 30, 2020. The Town was awarded a portion of this federal funding totaling \$190,907. In addition to funding from the CARES Act, there are several other federal and state grants available.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 26 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*, 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. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through January 21, 2022, the date the June 30, 2020 financial statements were available to be issued, and the following occurred that requires recognition or disclosure:

At the 2020-2021 Annual Town Meeting, the residents of Newport approved Warrant Article No. 7, which authorizes the issuance of bonds/notes up to \$30,000 for the costs related to continued development of an asset management program for sewer system assets.

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, 2020

	June 30,						
	2014	2015	2016	2017	2018	2019	2020
Town's proportion of the net pension liability	0.13933736%	0.12912300%	0.13508581%	0.13328872%	0.13446047%	0.12437961%	0.12878232%
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	\$ 6,196,560
Town's covered payroll	\$ 2,974,004	\$ 2,934,611	\$ 3,025,088	\$ 3,017,829	\$ 3,143,361	\$ 3,164,216	\$ 3,290,780
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%	188.30%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.81%	65.47%	58.30%	62.66%	64.73%	65.59%

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, 2020

	June 30,						
	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 346,467	\$ 418,905	\$ 453,197	\$ 477,279	\$ 492,587	\$ 525,700	\$ 560,437
Contributions in relation to the contractually required contributions	346,467	418,905	453,197	477,279	492,587	525,700	560,437
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	\$3,290,780
Contributions as a percentage of covered payroll	11.65%	14.27%	14.98%	15.82%	15.67%	16.61%	17.03%

TOWN OF NEWPORT, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

***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, 2020. 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 2020:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	20 years beginning July 1, 2019 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year (3.00% for teachers) in the 2017 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Based on the 2010-215 experience study.
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 2010-2015 experience study.

Other Information:

Notes	The board has adopted new assumptions based on the 2015-2019 experience study effective for employer contributions in the 2022-23 biennium.
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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, 2020

	June 30.			
	2017	2018	2019	2020
Town's proportion of the net OPEB liability	0.08808712%	0.08827388%	0.12222103%	0.12973763%
Town's proportionate share of the net OPEB liability (asset)	\$ 426,434	\$ 403,618	\$ 559,584	\$ 568,784
Town's covered payroll	\$ 3,017,289	\$ 3,143,361	\$ 3,164,216	\$ 3,290,780
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	14.13%	12.84%	17.68%	17.28%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%

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, 2020

	June 30,			
	2017	2018	2019	2020
Contractually required contribution	\$ 51,184	\$ 52,320	\$ 54,062	\$ 59,207
Contributions in relation to the contractually required contribution	51,184	52,320	54,062	59,207
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$3,017,289	\$3,143,361	\$3,164,216	\$3,290,780
Contributions as a percentage of covered payroll	1.70%	1.66%	1.71%	1.80%

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, 2020

***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, 2020. 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.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Updated economic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables).

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 (3.00% for teachers) in the 2017 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Funding Discount Rate	3.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Based on the 2010-2015 experience study.
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 2010-2015 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, 2020

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 4,951,873	\$ 4,882,798	\$ (69,075)
Land use change	5,000	2,520	(2,480)
Yield	16,000	19,952	3,952
Excavation	3,000	2,575	(425)
Payment in lieu of taxes	93,244	93,205	(39)
Interest and penalties on taxes	130,000	100,317	(29,683)
Total from taxes	<u>5,199,117</u>	<u>5,101,367</u>	<u>(97,750)</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	1,170,000	1,220,250	50,250
Building permits	15,000	22,380	7,380
Other	28,000	29,919	1,919
Total from licenses, permits, and fees	<u>1,213,000</u>	<u>1,272,549</u>	<u>59,549</u>
Intergovernmental:			
State:			
Meals and rooms distribution	329,301	329,301	-
Highway block grant	186,319	186,298	(21)
Total from intergovernmental	<u>515,620</u>	<u>515,599</u>	<u>(21)</u>
Charges for services:			
Income from departments	<u>631,471</u>	<u>633,635</u>	<u>2,164</u>
Miscellaneous:			
Sale of municipal property	5,000	11,113	6,113
Interest on investments	45,000	27,439	(17,561)
Other	297,870	216,170	(81,700)
Total from miscellaneous	<u>347,870</u>	<u>254,722</u>	<u>(93,148)</u>
Other financing sources:			
Transfers in	12,000	11,845	(155)
Loan proceeds	-	7,935	7,935
Total other financing sources	<u>12,000</u>	<u>19,780</u>	<u>7,780</u>
Total revenues and other financing sources	<u>\$ 7,919,078</u>	<u>\$ 7,797,652</u>	<u>\$ (121,426)</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, 2020

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 170,483	\$ 180,540	\$ 6,000	\$ (16,057)
Election and registration	-	166,133	165,926	-	207
Financial administration	-	326,833	322,753	-	4,080
Revaluation of property	-	159,088	128,020	-	31,068
Legal	27,211	55,000	168,090	1,420	(87,299)
Planning and zoning	-	57,195	45,356	-	11,839
General government buildings	49,041	502,799	454,423	40,629	56,788
Cemeteries	-	6,502	1,636	-	4,866
Insurance, not otherwise allocated	-	1	-	-	1
Advertising and regional associations	-	14,735	16,922	-	(2,187)
Other	-	113,181	103,827	-	9,354
Total general government	76,252	1,571,950	1,587,493	48,049	12,660
Public safety:					
Police	-	1,672,910	1,616,088	24,868	31,954
Ambulance	-	514,441	484,047	23,500	6,894
Fire	10,000	600,266	539,554	-	70,712
Building inspection	-	39,255	36,769	-	2,486
Emergency management	-	9,524	7,500	-	2,024
Other	-	495,248	456,806	-	38,442
Total public safety	10,000	3,331,644	3,140,764	48,368	152,512
Highways and streets:					
Administration	2,000	304,340	288,155	40,000	(21,815)
Highways and streets	37,162	886,853	937,911	21,082	(34,978)
Bridges	-	5,068	6,808	-	(1,740)
Street lighting	14,312	42,400	47,711	-	9,001
Total highways and streets	53,474	1,238,661	1,280,585	61,082	(49,532)
Sanitation:					
Solid waste collection	1,425	4,000	3,319	-	2,106
Health:					
Administration	-	2,735	859	-	1,876
Health agencies	-	25,220	25,220	-	-
Total health	-	27,955	26,079	-	1,876
Welfare:					
Administration and direct assistance	-	23,233	25,120	-	(1,887)
Vendor payments and other	-	150,000	186,426	-	(36,426)
Total welfare	-	173,233	211,546	-	(38,313)
Culture and recreation:					
Parks and recreation	-	379,728	361,544	-	18,184
Library	-	349,404	349,404	-	-
Patriotic purposes	1,308	2,500	2,942	1,308	(442)
Total culture and recreation	1,308	731,632	713,890	1,308	17,742

(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, 2020

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	79,143	79,143	-	-
Interest on long-term debt	-	6,623	6,622	-	1
Interest on tax anticipation notes	-	1	-	-	1
Other	-	61,406	61,406	-	-
Total debt service	-	147,173	147,171	-	2
Capital outlay	345,652	612,829	619,354	131,899	207,228
Other financing uses:					
Transfers out	-	80,001	102,085	-	(22,084)
Total appropriations, expenditures, other financing uses, and encumbrances	\$488,111	\$ 7,919,078	\$ 7,832,286	\$ 290,706	\$ 284,197

SCHEDULE 3
TOWN OF NEWPORT, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended June 30, 2020

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 869,421
2019-2020 Budget summary		
Revenue shortfall (Schedule 1)	\$ (121,426)	
Unexpended balance of appropriations (Schedule 2)	<u>284,197</u>	
2019-2020 Budget surplus		162,771
Increase in nonspendable fund balance		<u>(66,898)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		965,294
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		(656,168)
Elimination of the allowance for uncollectible taxes		<u>46,542</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 355,668</u></u>

SCHEDULE 4
TOWN OF NEWPORT, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

	Special Revenue Funds						
	Ambulance	Airport	Conservation Commission	Grants	Neighborhood Improvement	CDBG	Police Details
ASSETS							
Cash and cash equivalents	\$ 12,107	\$ 94,413	\$ 36,301	\$ 91,580	\$ -	\$ -	\$ 28,729
Investments	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	507
Intergovernmental receivable	-	-	-	158,201	-	10,564	-
Interfund receivable	-	-	-	7,614	-	-	-
Inventory	-	12,283	-	-	-	-	-
Prepaid items	-	15,211	-	-	-	-	-
Total assets	\$ 12,107	\$ 121,907	\$ 36,301	\$ 257,395	\$ -	\$ 10,564	\$ 29,236
LIABILITIES							
Accounts payable	\$ -	\$ 2,881	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-	81,969	-	-	-
Interfund payable	-	151,685	-	-	-	10,564	-
Total liabilities	-	154,566	-	81,969	-	10,564	-
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - grants and donations	-	-	-	175,426	-	-	-
FUND BALANCES (DEFICIT)							
Nonspendable	-	27,494	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	-	36,301	-	-	-	29,236
Assigned	12,107	-	-	-	-	-	-
Unassigned (deficit)	-	(60,153)	-	-	-	-	-
Total fund balances (deficit)	12,107	(32,659)	36,301	-	-	-	29,236
Total liabilities and fund balances	\$ 12,107	\$ 121,907	\$ 36,301	\$ 257,395	\$ -	\$ 10,564	\$ 29,236

				Capital Project Funds				
Special Revenue Funds				1st, 2nd, 3rd, 4th			Permanent Fund	Total
Bald Mt TIF District	Recreation Revolving	Police Drug Forfeiture	Economic Coordinator	Bridges	Knoll Streets	Town Hall Improvements		
\$ 310,647	\$ 229,911	\$ 5,477	\$ 77,129	\$ -	\$ -	\$ 232,514	\$ 27,933	\$ 1,146,741
-	-	-	-	-	-	-	669,178	669,178
-	-	-	-	-	-	-	-	507
-	-	-	-	22,709	-	-	-	191,474
-	-	-	-	-	-	-	-	7,614
-	-	-	-	-	-	-	-	12,283
-	-	-	-	-	-	-	-	15,211
<u>\$ 310,647</u>	<u>\$ 229,911</u>	<u>\$ 5,477</u>	<u>\$ 77,129</u>	<u>\$ 22,709</u>	<u>\$ -</u>	<u>\$ 232,514</u>	<u>\$ 697,111</u>	<u>\$ 2,043,008</u>
\$ -	\$ -	\$ -	\$ 608	\$ -	\$ -	\$ 1,673	\$ -	\$ 5,162
-	-	-	-	-	-	-	-	81,969
-	-	-	-	427,709	-	-	14,325	604,283
-	-	-	608	427,709	-	1,673	14,325	691,414
-	-	-	-	-	-	-	-	175,426
-	-	-	-	-	-	-	675,374	702,868
-	-	5,477	76,521	-	-	230,841	7,412	320,251
310,647	229,911	-	-	-	-	-	-	606,095
-	-	-	-	-	-	-	-	12,107
-	-	-	-	(405,000)	-	-	-	(465,153)
<u>310,647</u>	<u>229,911</u>	<u>5,477</u>	<u>76,521</u>	<u>(405,000)</u>	<u>-</u>	<u>230,841</u>	<u>682,786</u>	<u>1,176,168</u>
<u>\$ 310,647</u>	<u>\$ 229,911</u>	<u>\$ 5,477</u>	<u>\$ 77,129</u>	<u>\$ 22,709</u>	<u>\$ -</u>	<u>\$ 232,514</u>	<u>\$ 697,111</u>	<u>\$ 2,043,008</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, 2020

	Special Revenue Funds						
	Ambulance	Airport	Conservation Commission	Grants	Neighborhood Improvement	CDBG	Police Details
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	3,139	-	321,637	-	28,114	-
Charges for services	-	114,031	-	-	-	-	13,176
Miscellaneous	96	951	233	-	440	4,750	-
Total revenues	96	118,121	233	321,637	440	32,864	13,176
EXPENDITURES							
Current:							
General government	-	-	-	18,499	-	9,500	-
Public safety	-	-	-	263,028	-	-	17,971
Highways and streets	-	-	-	1,946	-	-	-
Airport operations	-	117,714	-	-	-	-	-
Welfare	-	-	-	6,083	-	-	-
Culture and recreation	-	-	-	1,626	-	-	-
Economic development	-	-	-	-	-	-	-
Capital outlay	-	16,594	-	30,455	61,630	23,364	-
Total expenditures	-	134,308	-	321,637	61,630	32,864	17,971
Excess (deficiency) of revenues over (under) expenditures	96	(16,187)	233	-	(61,190)	-	(4,795)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances	96	(16,187)	233	-	(61,190)	-	(4,795)
Fund balances (deficit), beginning	12,011	(16,472)	36,068	-	61,190	-	34,031
Fund balances (deficit), ending	\$ 12,107	\$ (32,659)	\$ 36,301	\$ -	\$ -	\$ -	\$ 29,236

Special Revenue Funds				Capital Project Funds			Permanent Fund	Total
Bald Mt TIF District	Recreation Revolving	Police Drug Forfeiture	Economic Coordinator	1st, 2nd, 3rd, 4th Bridges	Knoll Streets	Town Hall Improvement		
\$ 57,107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,107
-	-	-	-	743,460	-	-	-	1,096,350
-	26,655	-	-	-	-	-	-	153,862
-	10,700	5	60,000	-	400	27,676	39,021	144,272
57,107	37,355	5	60,000	743,460	400	27,676	39,021	1,451,591
18,000	-	-	-	-	-	-	2,480	48,479
-	-	1,241	-	-	-	-	-	282,240
-	-	-	-	311	-	-	-	2,257
-	-	-	-	-	-	-	-	117,714
-	-	-	-	-	-	-	-	6,083
-	24,060	-	-	-	-	-	-	25,686
-	-	-	72,608	-	-	-	-	72,608
-	-	-	-	924,837	570,695	246,668	-	1,874,243
18,000	24,060	1,241	72,608	925,148	570,695	246,668	2,480	2,429,310
39,107	13,295	(1,236)	(12,608)	(181,688)	(570,295)	(218,992)	36,541	(977,719)
-	-	-	5,000	-	22,085	-	-	27,085
-	-	-	-	-	548,210	-	-	548,210
-	-	-	5,000	-	570,295	-	(11,845)	563,450
39,107	13,295	(1,236)	(7,608)	(181,688)	-	(218,992)	24,696	(414,269)
271,540	216,616	6,713	84,129	(223,312)	-	449,833	658,090	1,590,437
\$ 310,647	\$ 229,911	\$ 5,477	\$ 76,521	\$ (405,000)	\$ -	\$ 230,841	\$ 682,786	\$ 1,176,168

SCHEDULE 6
TOWN OF NEWPORT, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Fiduciary Net Position
June 30, 2020

	Custodial Funds		
	Taxes	Trust Funds	Total
ASSETS			
Investments	\$ -	\$ 305,558	\$ 305,558
Intergovernmental receivables	4,535,745	-	4,535,745
Total assets	4,535,745	305,558	4,841,303
LIABILITIES			
Intergovernmental payables:			
School	3,903,501	-	3,903,501
County	632,244	-	632,244
Total liabilities	4,535,745	-	4,535,745
NET POSITION			
Restricted	\$ -	\$ 305,558	\$ 305,558

SCHEDULE 7
TOWN OF NEWPORT, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2020

	Custodial Funds		Total
	Taxes	Trust Funds	
ADDITIONS			
Investment earnings	\$ -	\$ 749	\$ 749
Tax collections for other governments	8,893,887	-	8,893,887
Total additions	8,893,887	749	8,894,636
DEDUCTIONS			
Payments of taxes to other governments	8,893,887	-	8,893,887
Change in net position	-	749	749
Net position, beginning, as restated (see Note 21)	-	304,809	304,809
Net position, ending	\$ -	\$ 305,558	\$ 305,558

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



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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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 and Town Manager
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, 2020, 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 January 21, 2022. 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) as a basis for designing 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 financial statements. 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*.

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.

Sheryl A. Platt, CPA

PLODZIK & SANDERSON
Professional Association

January 21, 2022



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 and Town Manager
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, 2020. 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, 2020.

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

Town of Newport

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

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.

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.

Sheryl A. Platt, CPA

January 21, 2022

PLODZIK & SANDERSON
Professional Association

SCHEDULE I
TOWN OF NEWPORT, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

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>20.205</u>	<u>Highway Planning and Construction</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, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through the New Hampshire Community Development Finance Authority				
Community Development Block Grant/State's Program:				
Riverbend Wastewater Pump Station Generator	14.228	19-229-EGPF	\$ -	\$ 23,364
Child Care Feasibility Study	14.228	19-229-FSPF	-	4,750
<i>PROGRAM TOTAL</i>			-	28,114
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	-	28,717
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through the State of New Hampshire Department of Transportation				
Highway Planning and Construction	20.205	16109	-	706,741
Passed Through the State of New Hampshire Department of Safety				
HIGHWAY SAFETY CLUSTER				
State and Community Highway Safety:				
Operation Safe Commute, STEP Patrols, Join the Clique	20.600	#19-137	-	1,424
Operation Safe Commute	20.600	#20-137	-	4,569
National Priority Safety Programs:				
DWI Patrols	20.616	#19-137	-	824
DWI Patrols	20.616	#20-137	-	2,121
<i>CLUSTER TOTAL</i>			-	8,938
U.S. DEPARTMENT OF THE TREASURY				
Passed Through the New Hampshire Governor's Office for Emergency Relief and Recovery (GOFERR)				
COVID-19 - Coronavirus Relief Fund:				
First Responder Stipend	21.019	N/A	-	81,969
Municipal Aid	21.019	N/A	-	67,876
<i>PROGRAM TOTAL</i>			-	149,845
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Passed Through the New Hampshire Department of Environmental Services				
Capitalization Grants for Clean Water State Revolving Funds (note 4)	66.458	CS-330169-11	-	269,921
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through the State of New Hampshire Department of Safety				
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4516-DR-NH	-	41,062

(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, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through the State of New Hampshire				
Department of Safety				
Emergency Management Performance Grants:				
EOC Generator and Communications Equipment Relocation	97.042	HSEM-EMPG-08-2018-05	-	12,132
Emergency Response Equipment	97.042	HSEM-EMPG-03-2019-01	-	19,732
PROGRAM TOTAL			-	31,864
Homeland Security Grant Program	97.067	N/A	-	28,773
DIRECT FUNDING				
NORTHERN BORDER REGIONAL COMMISSION				
Northern Border Regional Development	90.601	N/A	-	30,456
<i>Total Expenditures of Federal Awards</i>			\$ -	\$ 1,324,431

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, 2020

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, 2020. 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 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, 2020. 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, 2020</i>
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$1,164,341