

TOWN OF MERRIMACK, NEW HAMPSHIRE

Financial Statements

June 30, 2008

and

Independent Auditor's Report

TOWN OF MERRIMACK, NEW HAMPSHIRE
FINANCIAL STATEMENTS
June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

To the Town Council and Town Manager
Town of Merrimack, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Merrimack, New Hampshire (the Town) as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Merrimack's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Merrimack as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13 to the financial statements the Town changed its method of accounting for sewer operations.

The Management's Discussion and Analysis and the Required Supplementary Information on pages i-viii and 25-26, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Merrimack's basic financial statements. The combining financial statements listed as schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 7, 2009

Vachon, Clukay & Co., PC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Having responsibility for the financial management of the Town of Merrimack ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2008.

Financial Highlights

As of June 30, 2008 the assets of the Town exceeded its liabilities by \$122,246,506 (net assets). Of this amount, \$6,024,948 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's net assets decreased by \$455,653.

As of June 30, 2008, the Town's governmental funds reported combined ending fund balances of \$17,159,703, a decrease of \$1,494,015 in comparison with the prior year. Of this total amount, \$5,874,721(34.2%) is available for spending at the Town's discretion (unreserved fund balance).

As of June 30, 2008, the \$2,061,612 unreserved fund balance of the General Fund represented 9.7% of total General Fund expenditures.

During the 2007-08 fiscal year, the Town's total debt increased by \$1,146,512. This increase was due solely to the issuance of the drainage bond (1,708,000) approved on the April 2007 ballot.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: government-wide financial statements; fund financial statements; and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net assets changed during 2007-08. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only

result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Business-Type Activities are normally intended to recover all or a significant portion of their cost through user fees and charges to external users of goods and services. The Sewer Fund is the only fund of this type.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement, because the resources of those funds are not available to support the Town's own programs.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Town adopts an

annual appropriated budget for all of its governmental funds. A budgetary comparison statement for the General and Sewer Fund has been provided to demonstrate compliance with this budget.

The combining statements, referred to above in connection with non-major governmental funds, are presented immediately following the required supplementary information on budgets.

Government-Wide Financial Analysis

As noted above, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$122,246,506 at June 30, 2008.

By far the largest portion of the Town's net assets (85.5%) reflects its investment in capital assets (e.g., land, buildings and system, other improvements, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Merrimack Net Assets Governmental Activities and Business Type Activities

	<u>6/30/2007</u>	<u>6/30/2008</u>
Capital assets	\$ 108,603,415	\$ 109,533,979
Other assets	<u>52,433,962</u>	<u>54,437,478</u>
Total assets	<u>161,037,377</u>	<u>163,971,457</u>
Long-term liabilities outstanding	6,842,625	9,092,326
Current liabilities	<u>31,492,593</u>	<u>32,632,625</u>
Total liabilities	<u>38,335,218</u>	<u>41,724,951</u>
Net assets:		
Invested in capital assets, net of related debt	103,217,780	104,458,783
Restricted	11,672,871	11,762,775
Unrestricted	<u>7,811,508</u>	<u>6,024,948</u>
Total net assets	<u>\$ 122,702,159</u>	<u>\$ 122,246,506</u>

An additional portion of the Town's net assets (9.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$6,024,948) may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2008, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

As indicated by the schedule below, the Town's net assets decreased by \$455,653 during 2007-2008.

Town of Merrimack
Changes in Net Assets

	<u>6/30/2007</u>	<u>6/30/2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 4,999,154	\$ 5,304,027
Operating grants and contributions	1,357,136	1,326,434
Capital grants and contributions	25,839,628	2,616,013
General revenues:		
Property taxes and other taxes	8,567,035	10,815,138
Licenses and permits	4,817,521	4,881,715
Investment income	2,538,595	865,297
State Shared revenues	1,271,504	1,255,189
Miscellaneous	278,688	322,499
Total revenues	<u>49,669,261</u>	<u>27,386,312</u>
Expenses:		
General government	3,676,391	3,878,467
Public safety	9,645,268	10,081,109
Highways and streets	4,938,298	4,850,383
Health and welfare	173,686	176,385
Sanitation	5,598,543	5,780,729
Culture and recreation	2,794,682	2,863,480
Interest and fiscal charges	243,166	211,412
Total expenses	<u>27,070,034</u>	<u>27,841,965</u>
Change in net assets	22,599,227	(455,653)
Net assets - July 1	<u>100,102,932</u>	<u>122,702,159</u>
Net assets - June 30	<u>\$ 122,702,159</u>	<u>\$ 122,246,506</u>

Financial Analysis of the Town's Funds

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

Governmental funds and Proprietary Funds. The focus of the Town's governmental and proprietary funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Proprietary Fund is the Town's Waste Water Treatment Department. As of June 30, 2008, the Town's proprietary fund reported total net assets of \$44,266,218, an increase of \$611,331 in comparison to the prior year. Of this total amount, \$3,438,733 (7.8%)

constitutes unreserved net assets, available for spending at the Town's discretion. The remainder of net assets is reserved to indicate that it is not available for new spending, because it has already been committed to capital assets (\$40,827,485).

As of June 30, 2008, the Town's governmental funds reported combined fund balances of \$17,159,703, a decrease of \$1,494,015 in comparison to the prior year. Of this total amount, \$5,874,721 (34.2%) constitutes unreserved fund balance, which is available for spending at the Town's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending, because it has already been committed: to endowments (\$2,238,434); to encumbrances (\$979,158); to capital reserve fund expenditures (\$8,067,390).

The General Fund is the chief operating fund of the Town. As of June 30, 2008 unreserved fund balance of the General Fund was \$2,061,612, while total fund balance amounted to \$3,040,770. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 9.7% of total general Fund expenditures, while total fund balance represents 14.3% of that same amount.

Budgetary Highlights

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual demonstrates compliance with the adopted budget for 2007-08. The differences between the original budget and the final amended budget reflect the formal acceptance by the Town Council of unanticipated grants in accordance with Article 8-15 of the Town Charter.

Actual revenues and transfers in of the General Fund were under budgetary estimates by \$1,575,095, while appropriations exceeded expenditures and transfers by \$1,821,319. This produced a favorable net variance of \$246,224. Major variances are identified below.

- Renewal health insurance rates were significantly less than anticipated, resulting in a savings of over \$428,775.
- Renewal Workers Compensation Insurance rates were significantly less than anticipated, resulting in a savings of over \$197,800.
- A savings of over \$256,000 in wages and other benefits was realized due primarily to vacancies and attrition.
- Renewal for General Insurance was significantly lower by over \$15,000
- Contractual Snowplowing exceed appropriations by \$23,000
- Vehicle Maintenance appropriations were under budgeted in excess of \$115,000
- Sand and Salt appropriations were in excess of \$78,000.
- Education and Training was under spent by in excess of \$31,000.
- Appropriations for solid waste disposal at a remote site exceeded expenditures by over \$79,500 due to an unanticipated reduction in solid waste tonnage.
- State Funding Revenues for Highway were \$1,115,000 under estimate revenues
- Interest Income exceeded projections by over \$112,000
- Ambulance revenues were under projections by 18,000

- Highway Block Grant exceed projections by just under \$21,000
- Building Permits were under projections by just over \$56,000

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets as of June 30, 2008 amounted to \$104,458,783 (net of accumulated depreciation and related long-term debt). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, roads, bridges, and traffic signals and represents a increase of \$1,241,003 (1.2%) compared to the investment in capital assets at June 30, 2007.

Town of Merrimack Investment in Capital Assets

	<u>6/30/2007</u>	<u>6/30/2008</u>
Land	\$ 16,416,119	\$ 16,640,041
Buildings and improvements	58,117,722	64,506,693
Land improvements	1,896,625	2,774,451
Vehicles and equipment	19,746,747	21,629,281
Infrastructure	70,333,395	70,333,395
Construction in progress	8,769,444	4,113,306
Total investment in capital assets	175,280,052	179,997,167
Related long-term debt	(5,385,635)	(5,075,196)
Accumulated depreciation	(66,676,637)	(70,463,188)
Net investment in capital assets	<u>\$ 103,217,780</u>	<u>\$ 104,458,783</u>

The increase in the Town's investment in capital assets is explained below.

Sewer Treatment Plant Upgrade	\$ 5,411,660
Camp Sargent Road Sewer	254,755
Souhegan Sewer Line	610,221
Upgrade Electrical System Sewer	835,088
Turkey Hill Sewer	261,060
Telephone System Upgrade	125,590
Rescue Truck Fire	284,000
Catch Basin Cleaner	120,531
Pedestrian Bridge Twin Bridge Park	268,386
Land Acquisition (Campo Property)	223,922
Recycling Building Improvements	144,558
Bedford Road Bridge (WIP)	1,087,480
Tinker Road Improvements (WIP)	920,286
DW Sidewalk (WIP)	300,240
Reeds Ferry Sewer Improvements (WIP)	521,360
Other capital assets acquisitions - individually less than \$100,000	1,139,957
Increase in related long-term debt	310,439
Depreciation	(3,786,551)
Book value of disposals	(7,791,979)
Net increase	<u>\$ 1,241,003</u>

Additional information on the Town's capital assets can be found in Note 6 of the financial statements.

Long-term debt. As of June 30, 2008 the Town had total long-term debt outstanding of \$6,532,147. Although \$2,154,847 of this debt will be paid from sewer rents, the entire amount is backed by the full faith and credit of the Town.

Town of Merrimack
Long-Term Debt

	<u>6/30/2007</u>	<u>6/30/2008</u>
Land acquisition bonds	\$ 2,975,000	\$ 2,700,000
Drainage bond		1,677,300
Compost facility bonds	<u>2,410,635</u>	<u>2,154,847</u>
Total long-term debt	<u>\$ 5,385,635</u>	<u>\$ 6,532,147</u>

During 2007-08 the Town's total debt increased by \$1,146,512. This increase was due solely to the financing of the Drainage bond less the decrease in principal payments.

Additional information on the Town's long-term debt can be found in Note 8 of the financial statements.

Economic Factors and Next Year's Budget and Tax Rate

The Town's financial position is positive. The Town has sufficient cash flow to at this time even though the general United States Economy is in a down cycle. The town's major employer and tax-payer has had layoffs as well as the fifth largest employer being sold to a foreign company. The sale includes management and the union an agreement between to a new five year union contract includes that the company will be in Merrimack for at least five more years. Another positive is that the Town's unemployment rate is down slightly to 3.3% from the previous year of 3.6%, and it still compares favorably with the state and national averages of 4.1% and 6.1%, respectively. Furthermore, it appears that the Outlet Mall project will begin within the year in addition to steady industrial, commercial, and residential growth that Merrimack has experienced in recent years. These factors will continue to increase the tax base and to provide diverse employment opportunities.

Next year's budget and tax rate. The 2008-09 budget has been adopted, and the 2008 property tax rate has been set. Municipal appropriations, net of non-tax revenues, have increased by \$2,324,009 (20.5%) compared to 2007-08 net appropriations, and the municipal portion of the tax rate increased by 19.5%. The use of CATV Fund surplus for tax relief helped offset the increase in General Fund Appropriations. In addition the return of over \$3 million dollars from the Merrimack School District's allowed the 2008 property tax rate will increase by approximately 7.4%.

Requests For Information

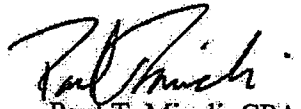
This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the following address.

Town of Merrimack
6 Baboosic Lake Road
Merrimack, NH 03054

Respectfully submitted,



Keith R Hickey
Town Manager



Paul T. Micali, CPA
Finance Director

EXHIBIT A
TOWN OF MERRIMACK, NEW HAMPSHIRE
Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 18,506		\$ 18,506
Equity in pooled cash and investments	30,534,094	\$ 2,254,446	32,788,540
Investments	11,304,477		11,304,477
Taxes receivable, net	7,317,222		7,317,222
Accounts receivable, net	718,375	1,417,674	2,136,049
Due from other governments	735,981		735,981
Prepaid expenses	31,341		31,341
Inventory	105,362		105,362
Internal balance	(214,877)	214,877	-
Total Current Assets	<u>50,550,481</u>	<u>3,886,997</u>	<u>54,437,478</u>
Noncurrent Assets:			
Nondepreciable capital assets	19,960,317	793,030	20,753,347
Capital assets, net	<u>46,591,330</u>	<u>42,189,302</u>	<u>88,780,632</u>
Total Noncurrent Assets	<u>66,551,647</u>	<u>42,982,332</u>	<u>109,533,979</u>
Total Assets	<u>\$ 117,102,128</u>	<u>\$ 46,869,329</u>	<u>\$ 163,971,457</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 1,756,814	\$ 350,545	\$ 2,107,359
Accrued expenses	548,515	71,995	620,510
Retainage payable	257,849	25,724	283,573
Deferred revenue	28,770,921		28,770,921
Due to other governments	10,000		10,000
Deposits	<u>840,262</u>		<u>840,262</u>
Total Current Liabilities	<u>32,184,361</u>	<u>448,264</u>	<u>32,632,625</u>
Noncurrent Liabilities:			
Due within one year	893,694	267,637	1,161,331
Due in more than one year	<u>6,043,785</u>	<u>1,887,210</u>	<u>7,930,995</u>
Total Noncurrent Liabilities	<u>6,937,479</u>	<u>2,154,847</u>	<u>9,092,326</u>
Total Liabilities	<u>39,121,840</u>	<u>2,603,111</u>	<u>41,724,951</u>
NET ASSETS			
Invested in capital assets, net of related debt	63,631,298	40,827,485	104,458,783
Restricted	11,762,775		11,762,775
Unrestricted	<u>2,586,215</u>	<u>3,438,733</u>	<u>6,024,948</u>
Total Net Assets	<u>77,980,288</u>	<u>44,266,218</u>	<u>122,246,506</u>
Total Liabilities and Net Assets	<u>\$ 117,102,128</u>	<u>\$ 46,869,329</u>	<u>\$ 163,971,457</u>

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF MERRIMACK, NEW HAMPSHIRE
Statement of Activities
For the Year Ended June 30, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	<u>Expenses</u>	Charges for <u>Services</u>	Operating Grants and <u>Contributions</u>	Capital Grants and <u>Contributions</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 3,878,466	\$ 363,275	\$ 4,350		\$ (3,510,841)		\$ (3,510,841)
Public safety	10,081,109	1,095,101	445,056		(8,540,952)		(8,540,952)
Highways and streets	4,850,383		812,648	\$ 1,015,937	(3,021,798)		(3,021,798)
Health and welfare	176,385		4,876		(171,509)		(171,509)
Sanitation	1,296,886	374,050			(922,836)		(922,836)
Culture and recreation	2,863,480	145,935	9,718		(2,707,827)		(2,707,827)
Interest and fiscal charges	211,412	-	-	-	(211,412)		(211,412)
Total governmental activities	<u>23,358,121</u>	<u>1,978,361</u>	<u>1,276,648</u>	<u>1,015,937</u>	<u>(19,087,175)</u>	<u>-</u>	<u>(19,087,175)</u>
Business-type activities:							
Sewer	<u>4,483,843</u>	<u>3,325,666</u>	<u>49,786</u>	<u>1,600,077</u>	<u>-</u>	<u>\$ 491,686</u>	<u>491,686</u>
Total primary government	<u>\$ 27,841,964</u>	<u>\$ 5,304,027</u>	<u>\$ 1,326,434</u>	<u>\$ 2,616,014</u>	<u>(19,087,175)</u>	<u>491,686</u>	<u>(18,595,489)</u>
General revenues:							
					10,815,138		10,815,138
					4,881,715		4,881,715
Grants and contributions:							
					1,255,189		1,255,189
					795,446	69,851	865,297
					322,497		322,497
					(49,794)	49,794	
					<u>18,020,191</u>	<u>119,645</u>	<u>18,139,836</u>
					(1,066,984)	611,331	(455,653)
					<u>79,047,272</u>	<u>43,654,887</u>	<u>122,702,159</u>
					\$ 77,980,288	\$ 44,266,218	\$ 122,246,506

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF MERRIMACK, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
June 30, 2008

	General <u>Fund</u>	Expendable Trust <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,520		\$ 15,986	\$ 18,506
Equity in pooled cash and investments	26,764,650	\$ 1,207,492	2,561,952	30,534,094
Investments		7,684,648	3,619,829	11,304,477
Taxes receivable, net	7,312,222	5,000		7,317,222
Accounts receivable, net	611,241		107,134	718,375
Due from other governments	735,981			735,981
Due from other funds	618,600	6,500		625,100
Prepaid expenses	31,341			31,341
Inventory	105,362			105,362
Total Assets	<u>\$ 36,181,917</u>	<u>\$ 8,903,640</u>	<u>\$ 6,304,901</u>	<u>\$ 51,390,458</u>
LIABILITIES				
Accounts payable	\$ 1,549,111	\$ 2,998	\$ 204,705	\$ 1,756,814
Accrued expenses	452,564			452,564
Retainage payable	257,849			257,849
Deferred revenue	29,508,467		48,428	29,556,895
Due to other governments	10,000			10,000
Due to other funds	6,500	833,252	225	839,977
Deposits	840,262			840,262
Accrued compensated absences payable	516,394			516,394
Total Liabilities	<u>33,141,147</u>	<u>836,250</u>	<u>253,358</u>	<u>34,230,755</u>
FUND BALANCES				
Reserved for endowments			2,238,434	2,238,434
Reserved for encumbrances	979,158			979,158
Reserved for special purposes		8,067,390		8,067,390
Unreserved, reported in:				
General fund	2,061,612			2,061,612
Special revenue funds			1,021,838	1,021,838
Capital projects funds			1,541,815	1,541,815
Permanent funds			1,249,456	1,249,456
Total Fund Balances	<u>3,040,770</u>	<u>8,067,390</u>	<u>6,051,543</u>	<u>17,159,703</u>
Total Liabilities and Fund Balances	<u>\$ 36,181,917</u>	<u>\$ 8,903,640</u>	<u>\$ 6,304,901</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	66,556,616
Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis	785,974
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year end consist of:	
Bonds payable	(4,377,300)
Accrued interest on long-term obligations	(95,951)
Compensated absences	(1,293,785)
Estimated liability for landfill postclosure care costs	(750,000)
Net assets of governmental activities	<u>\$ 77,985,257</u>

See accompanying notes to the basic financial statements

EXHIBIT D

TOWN OF MERRIMACK, NEW HAMPSHIRE

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2008

TOWN OF MERRIMACK, NEW HAMPSHIRE

Reconciliation of the Statement of Revenues, Expenditures

and Changes in Fund Balances of Governmental Funds

to the Statement of Activities

For the Year Ended June 30, 2008

	General Fund	Expendable Trust Fund	Other Governmental Funds	Total Governmental Funds	
Revenues:					
Taxes	\$10,597,594	\$ 63,340		\$10,660,934	Net Change in Fund Balances--Total Governmental Funds
Licenses and permits	4,507,918		\$ 373,797	4,881,715	
Intergovernmental	2,501,207	1,015,937		3,517,144	Amounts reported for governmental activities in the
Charges for services	1,904,644		73,717	1,978,361	statement of activities are different because:
Investment income (loss)	712,491	421,064	(338,109)	795,446	Governmental funds report capital outlays as expenditures.
Miscellaneous	154,886	139,346	58,895	353,127	However, in the statement of activities, the cost of those assets is
Total Revenues	20,378,740	1,639,687	168,300	22,186,727	allocated over their estimated useful lives as depreciation expense.
					This is the amount by which capital outlays exceeded depreciation
					in the current period.
Expenditures:					1,751,406
Current operations:					
General government	3,824,277	10,412	9,694	3,844,383	Issuance of general obligation debt is a revenue in the governmental
Public safety	9,758,621		73,216	9,831,837	funds, but the issue increases long-term liabilities in the
Highways and streets	3,483,751			3,483,751	statement of net assets.
Health and welfare	176,385			176,385	
Sanitation	1,194,493			1,194,493	Revenues in the statement of activities that do not provide current
Culture and recreation	2,442,728	21,050	293,508	2,757,286	financial resources are not reported as revenues in the funds.
Capital outlay		3,327,648	256,325	3,583,973	
Debt service:					Repayment of bond principal is an expenditure in the governmental
Principal retirement	275,000			275,000	funds, but the repayment reduces long-term liabilities in the
Interest and fiscal charges	161,140			161,140	statement of net assets.
Total Expenditures	21,316,395	3,359,110	632,743	25,308,248	275,000
Excess of revenues over (under) expenditures	(937,655)	(1,719,423)	(464,443)	(3,121,521)	In the statement of activities, interest is accrued on outstanding
					bonds, whereas in governmental funds, an interest expenditure is
					reported when due.
Other financing sources (uses):					
Proceeds of debt			1,677,300	1,677,300	Some expenses reported in the statement of activities, such as
Operating transfers in	139,589	1,341,000	3,300	1,483,889	compensated absences and the estimated liability for landfill
Operating transfers out	(894,300)	(639,383)		(1,533,683)	postclosure care costs, do not require the use of current financial
Total other financing sources (uses)	(754,711)	701,617	1,680,600	1,627,506	resources and therefore are not reported as expenditures in
					governmental funds.
Net change in fund balances	(1,692,366)	(1,017,806)	1,216,157	(1,494,015)	Change in Net Assets of Governmental Activities
Fund balances at beginning of year, as restated	4,733,136	9,085,196	4,835,386	18,653,718	
Fund balances at end of year	\$ 3,040,770	\$ 8,067,390	\$ 6,051,543	\$17,159,703	

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF MERRIMACK, NEW HAMPSHIRE
Statement of Net Assets
Proprietary Funds
June 30, 3008

	Sewer <u>Fund</u>
ASSETS	
Current Assets:	
Equity in pooled cash and investments	\$ 2,254,446
Accounts receivable, net	1,417,674
Due from other funds	214,877
Total Current Assets	<u>3,886,997</u>
Noncurrent Assets:	
Capital assets, net	42,987,553
Total Noncurrent Assets	<u>42,987,553</u>
Total Assets	<u>\$ 46,874,550</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 350,545
Accrued liabilities	71,995
Deferred revenue	25,724
Current portion of bonds payable	267,637
Total Current Liabilities	<u>715,901</u>
Noncurrent Liabilities:	
Bonds payable	1,887,210
Total Noncurrent Liabilities	<u>1,887,210</u>
Total Liabilities	<u>2,603,111</u>
NET ASSETS	
Invested in capital assets, net of related debt	40,832,706
Unrestricted	3,438,733
Total Net Assets	<u>44,271,439</u>
Total Liabilities and Net Assets	<u>\$ 46,874,550</u>

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF MERRIMACK, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Sewer <u>Fund</u>
Operating revenues:	
Charges for services	\$ 3,315,844
Intergovernmental revenue	49,786
Other Income	<u>9,822</u>
Total operating revenues	<u>3,375,452</u>
Operating expenses:	
Personal services	1,493,088
Contractual services	423,809
Utilities and fuel	595,848
Repairs and maintenance	95,755
Other supplies and expenses	350,086
Depreciation	<u>1,411,337</u>
Total operating expenses	<u>4,369,923</u>
Operating income (loss)	<u>(994,471)</u>
Non-operating revenues (expenses):	
Intergovernmental grants	1,600,077
Interest and investment revenue	69,851
Interest expense	<u>(108,699)</u>
Net non-operating revenues	<u>1,561,229</u>
Income before transfers	566,758
Transfers in	499,794
Transfers out	<u>(450,000)</u>
Change in net assets	616,552
Total net assets at beginning of year (restated)	<u>43,654,887</u>
Total net assets at end of year	<u>\$ 44,271,439</u>

See accompanying notes to the basic financial statements

EXHIBIT G
TOWN OF MERRIMACK, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Sewer <u>Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 3,310,095
Cash received from other governments	49,786
Cash paid to employees	(1,030,293)
Cash paid to suppliers	<u>(1,654,058)</u>
Net cash provided by operating activities	<u>675,530</u>
Cash Flows from Noncapital Financing Activities:	
Cash received from other governments	974,120
Transfer from other funds	<u>499,794</u>
Net cash provided by noncapital financing activities	<u>1,473,914</u>
Cash flows from capital and related financing activities:	
Additions to utility plant in service	(807,938)
Principal paid on long-term debt	(255,788)
Interest paid on long-term debt	<u>(108,699)</u>
Net cash (used) for capital and related financing activities	<u>(1,172,425)</u>
Cash flows from investing activities:	
Interest on investments	69,851
Transfers to other funds	<u>(450,000)</u>
Net cash used by investing activities	<u>(380,149)</u>
Net increase in cash and cash equivalents	596,870
Cash and cash equivalents at beginning of year	<u>1,872,453</u>
Cash and cash equivalents at end of year	<u>\$ 2,469,323</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (994,471)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,411,337
(Increase) in accounts receivable	(12,356)
Increase in accounts payable	277,197
(Decrease) in accrued liabilities	(2,962)
(Decrease) in deferred revenue	<u>(3,215)</u>
Net cash provided by operating activities	<u>\$ 675,530</u>

See accompanying notes to the basic financial statements

EXHIBIT H
TOWN OF MERRIMACK, NEW HAMPSHIRE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Agency Funds
ASSETS	
Investments	<u>\$ 2,971,792</u>
Total assets	<u><u>\$ 2,971,792</u></u>
LIABILITIES	
Due to other governments	<u>\$ 2,971,792</u>
Total liabilities	<u><u>\$ 2,971,792</u></u>

See accompanying notes to the basic financial statements

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Merrimack, New Hampshire conform to accounting policies generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Town of Merrimack, New Hampshire (the Town) was incorporated in 1746. The Town operates under the Town Meeting/Town Manager form of government and performs local governmental functions authorized by State law.

The financial statements include those of the various departments governed by the Town Council, Town Manager, and other officials with financial responsibility, including the Town Trustees of Trust Funds and the Trustees of the Merrimack Public Library.

Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements:

The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the Town at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

2. Fund Financial Statements:

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2008

Fund Accounting

The Town uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Town's major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Reserve Fund is used to report resources that are legally restricted to the extent that both earnings, and principal, may be used for purposes that support the reporting government's programs.

2. Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The Town has no internal service funds. The following are the Town's major proprietary funds:

The Sewer Fund accounts for all revenues and expenses pertaining to the Town's sewer operations.

3. Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category has one classification: agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town's agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. The Town's agency fund accounts for the School District's capital reserve funds.

Measurement Focus

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included on the Statement of Net Assets.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2008

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

In the government-wide financial statements and enterprise fund statements, the Town has elected not to follow the FASB pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operations.

1. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 2). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes and interest on investments.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2008

Licenses and permits, charges for services, and miscellaneous revenues (except interest on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received.

2. Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

3. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

The Town's budget represents departmental appropriations as authorized by annual or special Town meetings. The Town Council may transfer funds between operating categories as they deem necessary. The Town adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended June 30, 2008, the Town applied \$1,005,408 of its unappropriated fund balance to fund appropriations and to reduce property taxes.

Encumbrance Accounting

Encumbrance accounting, under which purchase orders and other commitments for expenditure of monies are recorded in order to reserve a portion of the applicable appropriation, is employed as an extension of formal budgetary integration in Governmental Funds. Encumbrances outstanding at year end are reported as a component of fund balance since they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services.

Cash and Cash Equivalents

The Town pools its cash resources for the governmental funds. Cash applicable to a particular fund is reflected as "equity in pooled cash and investments". If a cash deficiency occurs it is recorded as an interfund balance. The deposits and investments of the Library Fund, the Capital Reserve and Permanent Funds are held separately from those of other Town funds. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the following:

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2008

Equity in pooled cash and investments	\$ 1,988,386
Due from other funds	480,937
	<u>\$ 2,469,323</u>

Investments

Investments are stated at their fair value in all funds. The investment in land in the permanent fund is stated at cost. Certificates of deposit with a maturity of greater than ninety days from the date of issuance are included in investments.

Taxes Receivable

Taxes levied during the current fiscal year and prior and uncollected at June 30, 2008 are recorded as receivables net of reserves for estimated uncollectibles of \$132,408.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2008 are recorded as prepaid items.

Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$10,000. The Town's infrastructure consists of roads, bridges, sidewalks, sewer collection and treatment system, and similar items. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2008

<u>Description</u>	<u>Years</u>
Infrastructure	50
Land improvements	7-50
Buildings and improvements	20-45
Vehicles and equipment	6-20

Compensated Absences

Employees earn vacation and sick leave as they provide services. Provision is made in the annual budget for vacation and sick leave. Pursuant to Town personnel policy and collective bargaining agreements, employees may accumulate (subject to certain limitations) unused sick pay earned and, upon retirement, resignation or death will be compensated for such amounts at current rates of pay.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

All payables and accrued liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year. General obligation bonds that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves

The Town reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances and special purposes.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2008

sources/uses in governmental funds and after non-operating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2--PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$3,198,769,863 as of April 1, 2007) and were due in two installments on July 1, 2007 and December 3, 2007. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. These priority tax liens accrue interest at 18% per annum. If the property is not redeemed within a two year redemption period, the property is tax deeded to the Town.

In accordance with State law, the Town collects taxes for the Merrimack School District and Hillsborough County, independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Taxes appropriated during the year were \$41,830,742 and \$3,213,275 for the Merrimack School District and Hillsborough County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes.

NOTE 3--RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2008, the Town was a member of the New Hampshire Municipal Association Property-Liability Insurance Trust, Inc. (NHMA-PLIT) and the New Hampshire Public Risk Management Exchange (PRIMEX). The Town currently reports all of its risk management activities in its General Fund. The Trust is classified as a "Risk Pool" in accordance with accounting principles generally accepted in the United States of America.

NHMA-PLIT is a Trust organized to provide certain property and liability insurance coverages to member towns, cities, and other qualified political subdivision of New Hampshire. As a member of the NHMA-PLIT, the Town shares in contributing to the cost of and receiving benefits from a self-insured pooled risk management program. The program includes a Self Insured Retention Fund from which is paid up to \$500,000 for each and every covered property, crime and/or liability loss.

PRIMEX provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2008

and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

The Trust agreements permit the Trusts to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trusts foresee no likelihood of an additional assessment for any of the past years.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at June 30, 2008.

NOTE 4--DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 18,506
Equity in pooled cash and investments	32,788,540
Investments	11,304,477
Statement of fiduciary net assets:	
Investments	<u>2,971,792</u>
Total cash and investments	<u>\$ 47,083,315</u>

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$ 2,520
Deposits with financial institutions	30,515,655
Investments	<u>16,565,140</u>
Total cash and investments	<u>\$ 47,083,315</u>

The Town has combined the cash resources of its governmental fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as equity in pooled cash and investments.

The Town's investment policy for governmental fund types requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. A maximum of \$2,000,000 may be invested without perfected collateral in any one bank. An unsecured deposit or an investment of more than \$100,000 must meet criteria set by the Town Council regarding the bank's financial condition. The Town participates in the New Hampshire Public Deposit Investment Pool, (NHPDIP) an external investment pool. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2008

created by state law and is administered by a public body of state, local and banking officials. Investments for other funds are at the discretion of the trustees of those funds.

Credit Risk

Generally credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

		<u>AAA</u>	<u>Not Rated</u>
Auction rate preferred securities	\$ 7,650,000	\$ 7,650,000	
Mutual funds	<u>409,681</u>		\$ 409,681
	<u>\$ 8,059,681</u>	<u>\$ 7,650,000</u>	<u>\$ 409,681</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Of the Town's deposits with financial institutions at year end \$13,784,383 was collateralized by securities held by the bank in the bank's name and \$402,194 was uninsured and uncollateralized. As of June 30, 2008, District investments in the following investment types were held by the same counterparties that were used to buy the securities.

<u>Investment Type</u>	<u>Reported Amount</u>
Money market funds	\$ 3,412,677
Equity securities	2,487,637
Certificates of deposit	2,000
Auction rate preferred securities	7,650,000
Mutual funds	<u>16,454</u>
	<u>\$ 13,568,768</u>

NOTE 5--DUE FROM OTHER GOVERNMENTS

Receivables from other governments at June 30, 2008 consists of state shared revenues, infrastructure grants, FEMA funds and other miscellaneous amounts due from federal and state sources. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables is as follows:

Due from State of New Hampshire	\$ 496,140
Due from USA	197,511
Due from other local governments	<u>42,330</u>
	<u>\$ 735,981</u>

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2008

NOTE 6--CAPITAL ASSETS

The following is a summary of changes in capital assets in the governmental funds:

	Balance (as restated) <u>7/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/08</u>
<i>Governmental activities</i>				
Capital assets not depreciated:				
Land	\$ 16,177,349	\$ 223,922		\$ 16,401,271
Construction in process	<u>1,097,121</u>	<u>2,796,414</u>	<u>\$ (334,489)</u>	<u>3,559,046</u>
Total capital assets not being depreciated	<u>17,274,470</u>	<u>3,020,336</u>	<u>(334,489)</u>	<u>19,960,317</u>
Other capital assets:				
Infrastructure	70,333,395			70,333,395
Improvements other than buildings	1,484,235	249,754		1,733,989
Buildings and systems	7,874,600	52,053		7,926,653
Machinery and equipment	<u>8,636,096</u>	<u>1,168,614</u>		<u>9,804,710</u>
Total other capital assets	<u>88,328,326</u>	<u>1,470,421</u>	<u>-</u>	<u>89,798,747</u>
Less accumulated depreciation for:				
Infrastructure	(32,913,475)	(1,402,704)		(34,316,179)
Improvements other than buildings	(599,339)	(65,836)		(665,175)
Buildings and systems	(2,803,398)	(181,281)		(2,984,679)
Machinery and equipment	<u>(4,486,343)</u>	<u>(755,041)</u>		<u>(5,241,384)</u>
Total accumulated depreciation	<u>(40,802,555)</u>	<u>(2,404,862)</u>	<u>-</u>	<u>(43,207,417)</u>
Total other capital assets, net	<u>47,525,771</u>	<u>(934,441)</u>	<u>-</u>	<u>46,591,330</u>
Total capital assets, net	<u>\$ 64,800,241</u>	<u>\$ 2,085,895</u>	<u>\$ (334,489)</u>	<u>\$ 66,551,647</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 86,621
Public safety	397,573
Highways and streets	1,667,407
Sanitation	145,243
Culture and recreation	<u>108,018</u>
Total governmental activities depreciation expense	<u>\$ 2,404,862</u>

The following is a summary of changes in capital assets – business-type activities:

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2008

<i>Business-type activities</i>	Balance (as restated) <u>7/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/08</u>
Capital assets not depreciated:				
Land	\$ 238,770			\$ 238,770
Construction in process	<u>7,672,323</u>	\$ 292,936	\$ (7,410,999)	<u>554,260</u>
Total capital assets not being depreciated	<u>7,911,093</u>	<u>292,936</u>	<u>(7,410,999)</u>	<u>793,030</u>
Other capital assets:				
Buildings and systems	50,234,598	6,735,099		56,969,697
Improvements other than buildings	412,390			412,390
Machinery and equipment	<u>8,266,729</u>	<u>990,303</u>	<u>(46,492)</u>	<u>9,210,540</u>
Total other capital assets	<u>58,913,717</u>	<u>7,725,402</u>	<u>(46,492)</u>	<u>66,592,627</u>
Less accumulated depreciation for:				
Buildings and systems	(17,409,579)	(993,315)		(18,402,894)
Improvements other than buildings	(379,653)	(3,744)		(383,397)
Machinery and equipment	<u>(5,232,404)</u>	<u>(419,499)</u>	<u>34,869</u>	<u>(5,617,034)</u>
Total accumulated depreciation	<u>(23,021,636)</u>	<u>(1,416,558)</u>	<u>34,869</u>	<u>(24,403,325)</u>
Total other capital assets, net	<u>35,892,081</u>	<u>6,308,844</u>	<u>(11,623)</u>	<u>42,189,302</u>
Total capital assets, net	<u>\$ 43,803,174</u>	<u>\$ 6,601,780</u>	<u>\$ (7,422,622)</u>	<u>\$ 42,982,332</u>

NOTE 7—EMPLOYEE BENEFIT PLAN

New Hampshire Retirement System

Plan Description

The Town contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer defined benefit pension plan administered by the NHRS Board of Trustees. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

Funding Policy

Covered public safety employees are required to contribute 9.3% of their covered salary and the Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, fire employees and general employees were 9.68%, 14.36% and 8.74%, respectively. The Town contributes 65% of the employer cost for police officers and fire employees and the State contributes the remaining 35% of the employer cost. In accordance with accounting principles generally accepted in the United States of America (GASB #24), on-behalf fringe benefits contributed by the State of New Hampshire of \$403,769 have been reported as a revenue and expenditure of the General Fund in these financial statements.

Under RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contributions to the NHRS for the years ending

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2008

June 30, 2008, 2007, and 2006 were \$1,338,043, \$945,227, and \$983,739, respectively, equal to the required contributions for each year.

NOTE 8—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended June 30, 2008 are as follows:

	Balance <u>7/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2008</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 2,975,000	\$ 1,677,300	\$ (275,000)	\$ 4,377,300	\$ 347,300
Compensated absences	<u>1,748,351</u>	<u>261,433</u>	<u>(199,605)</u>	<u>1,810,179</u>	<u>516,394</u>
	<u>\$ 4,723,351</u>	<u>\$ 1,938,733</u>	<u>\$ (474,605)</u>	<u>\$ 6,187,479</u>	<u>\$ 863,694</u>
Business-type activities:					
Bonds payable	<u>\$ 2,410,635</u>	<u>\$ -</u>	<u>\$ (255,788)</u>	<u>\$ 2,154,847</u>	<u>\$ 267,637</u>

Payments on the general obligation bonds are paid out of the General Fund and the Sewer Fund. Compensated absences will be paid from the General Fund. Payments on the landfill postclosure care costs are paid out of the General Fund.

General Obligation Bonds

Governmental Activities

Bonds payable at June 30, 2008 are comprised of the following individual issues:

\$4,075,000 Green's Pond Land Bond due in annual installments of \$270,000 - \$275,000 through August 15, 2017; interest at 3.0% - 4.5%	\$ 2,700,000
\$1,677,300 Drainage Improvement Bond due in annual installments of \$77,300 - \$155,000 through August 15, 2022; interest at 4.0% - 4.75%	<u>1,677,300</u>
	<u>\$ 4,377,300</u>

Debt service requirements to retire outstanding general obligation bonds of the governmental activities at June 30, 2008 are as follows:

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2008

Year Ending June 30,	Principal	Interest	Totals
2009	\$ 347,300	\$ 182,381	\$ 529,681
2010	355,000	168,335	523,335
2011	355,000	154,135	509,135
2012	360,000	139,835	499,835
2013	365,000	125,216	490,216
2014-2018	1,900,000	385,972	2,285,972
2019-2023	695,000	86,738	781,738
	<u>\$ 4,377,300</u>	<u>\$ 1,242,612</u>	<u>\$ 5,619,912</u>

As included on the Statement of Activities (Exhibit B), governmental activity interest expense for the year ended June 30, 2008 was \$211,412.

Business-type Activities

Bonds payable at June 30, 2008 consist of the following individual issues:

\$4,725,549 Organic Waste Composting Facility Bonds due in annual payments of \$367,449, including interest at 4.632%, through April 1, 2015	<u>\$ 2,154,847</u>
--	---------------------

Debt service requirements to retire outstanding general obligation bonds of the governmental activities at June 30, 2008 are as follows:

Year Ending June 30,	Principal	Interest	Totals
2009	\$ 267,637	\$ 99,812	\$ 367,449
2010	280,033	87,416	367,449
2011	293,005	74,444	367,449
2012	306,577	60,872	367,449
2013	320,777	46,672	367,449
Thereafter	686,818	48,080	734,898
	<u>\$ 2,154,847</u>	<u>\$ 417,296</u>	<u>\$ 2,572,143</u>

NOTE 9—LANDFILL POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town has been completing post-closure monitoring on the "Winter Dump" Landfill and the MSW Landfill since 2003. The estimated liability for postclosure care costs has a balance of \$750,000 as of June 30, 2008, which is based on the amount that would be paid if all equipment, facilities and services required to monitor and maintain the landfill were acquired as of June 30, 2008. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The remaining postclosure care costs are expected to be financed in the General Fund.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2008

The following is a summary of changes in the estimated liability for closure and postclosure care costs for the year ended June 30, 2008:

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008	Amounts Due Within One Year
Governmental activities	\$ 780,000	\$ -	\$ (30,000)	\$ 750,000	\$ 30,000

NOTE 10—INTERFUND BALANCES AND TRANSFERS

All balances are as a result of the time lag between year end and the dates that payments are made. Interfund balances at June 30, 2008 are as follows:

	General Fund	Due from Capital Reserve Funds	Other Governmental Funds	Totals
Due to General Fund		\$ 618,375	\$ 225	\$ 618,600
Capital Reserve Funds	\$ 6,500			6,500
Sewer Fund		214,877		214,877
	<u>\$ 6,500</u>	<u>\$ 833,252</u>	<u>\$ 225</u>	<u>\$ 839,977</u>

During the year, several interfund transactions occurred between funds. The various operating transfers were made in accordance with budgetary authorizations.

	General Fund	Transfer from Capital Reserve Funds	Sewer Fund	Totals
Transfer to General Fund		\$ 139,589		\$ 139,589
Capital Reserve Funds	\$ 891,000		\$ 450,000	1,341,000
Nonmajor Governmental Funds	3,300			3,300
Sewer Fund		499,794		499,794
	<u>\$ 894,300</u>	<u>\$ 639,383</u>	<u>\$ 450,000</u>	<u>\$ 1,983,683</u>

NOTE 11--RESTRICTED NET ASSETS

Net assets are restricted for specific purposes as follows:

	Governmental Activities
Endowments	\$ 2,238,434
Unexpended debt proceeds	1,456,951
Future purchases	8,067,390
	<u>\$ 11,762,775</u>

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2008

NOTE 12—PERMANENT FUNDS

Cemetery care and certain library funds are accounted for as permanent funds. The principal amounts of these funds are restricted in that only income earned may be expended. Principal and income balances at June 30, 2008 are as follows:

	<u>Principal</u>	<u>Income</u>	<u>Total</u>
Cemetery Funds	\$ 2,208,434	\$ 1,245,680	\$ 3,454,114
Library Funds	30,000	3,776	33,776
	<u>\$ 2,238,434</u>	<u>\$ 1,249,456</u>	<u>\$ 3,487,890</u>

NOTE 13—RESTATEMENT OF EQUITY

During fiscal 2008 Town official determined that financial information needs of users would be more effectively served if the Sewer Fund was reported in the income determination format of accounting. Consequently July 1, 2007 net assets/fund balances have been restated as follows:

Government-Wide Financial Statements

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net assets, July 1 - as previously reported	\$ 122,702,159	\$ -
Amount of restatement due to change in accounting principle	(43,654,887)	43,654,887
Net assets, July 1 - as restated	<u>\$ 79,047,272</u>	<u>\$ 43,654,887</u>

Fund Financial Statements

	<u>Governmental Funds</u>	<u>Proprietary Fund</u>
Fund balances/net assets, July 1 - as previously reported	\$ 20,943,981	\$ -
Amount of restatement due to change in accounting principle	(2,290,263)	43,654,887
Fund balances/net assets, July 1 - as restated	<u>\$ 18,653,718</u>	<u>\$ 43,654,887</u>

NOTE 14—COMMITMENTS AND CONTINGENCIES

Commitments

On February 8, 2007 the Town entered into a purchase and sales agreement to acquire property for \$215,000. A deposit of \$5,000 was made with the balance due upon the Town taking ownership on July 15, 2009.

Other Contingencies

The Town participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2008

expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 15—SUBSEQUENT EVENT

Subsequent to June 30, 2008 the Town's investments in marketable equity securities and mutual funds stated at \$2,712,248 and \$409,681 respectively have experienced a decline in market value of approximately 18%.

SCHEDULE 1**TOWN OF MERRIMACK, NEW HAMPSHIRE****Statement of Revenues, Expenditures and Changes in Fund Balances****Budget and Actual (Budgetary Basis) - General Fund****For the Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
General government	\$ 2,924,450	\$ 2,970,035	2,897,694	\$ (72,341)
Assessing	5,700	5,700	2,521	(3,179)
Fire	620,333	626,941	545,184	(81,757)
Police	563,134	577,751	551,900	(25,851)
Public works administration	150	150	1,090	940
Highway	1,703,760	1,703,760	496,945	(1,206,815)
Solid waste disposal	359,500	359,500	370,056	10,556
Parks maintenance	10,000	10,000	8,314	(1,686)
Parks and recreation	191,790	193,790	153,859	(39,931)
Community development	447,861	447,861	209,911	(237,950)
Town clerk/Tax collector	14,953,667	14,953,667	15,049,043	95,376
Welfare	21,874	23,874	11,417	(12,457)
Total Revenues	<u>21,802,219</u>	<u>21,873,029</u>	<u>20,297,934</u>	<u>(1,575,095)</u>
Expenditures:				
Current:				
General government	2,653,163	2,698,748	1,908,510	790,237
Assessing	271,066	271,066	263,634	7,432
Fire	4,555,929	4,562,537	4,269,733	292,803
Police	4,787,708	4,802,325	4,668,218	134,107
Communications	617,353	617,353	598,616	18,737
Public works administration	455,372	455,372	449,679	5,693
Highway	2,943,665	2,943,665	3,025,062	(81,397)
Solid waste disposal	1,481,867	1,481,867	1,209,420	272,447
Parks maintenance	451,257	451,257	478,295	(27,038)
Parks and recreation	767,503	769,503	747,871	21,632
Library	1,236,252	1,236,252	1,193,532	42,720
Equipment maintenance	371,622	371,622	351,753	19,869
Buildings and grounds	342,095	342,095	344,565	(2,470)
Community development	1,256,734	1,256,734	947,977	308,757
Town clerk/Tax collector	377,105	377,105	365,964	11,141
Welfare	181,032	183,032	176,385	6,647
Debt service	436,142	436,142	436,140	2
Total Expenditures	<u>23,185,865</u>	<u>23,256,675</u>	<u>21,435,356</u>	<u>1,821,319</u>
Net change in fund balance	(1,383,646)	(1,383,646)	(1,137,422)	246,224
Fund balance at beginning of year				
- Budgetary Basis	<u>4,007,893</u>	<u>4,007,893</u>	<u>4,007,893</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 2,624,247</u>	<u>\$ 2,624,247</u>	<u>\$ 2,870,471</u>	<u>\$ 246,224</u>

See accompanying notes to the required supplementary information

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2008

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

Amounts recorded as budgetary amounts in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. General Fund budgetary expenditures were adjusted for encumbrances, non-monetary transactions, and on-behalf payments for fringe benefits are as follows:

	Revenues <u>and Transfers</u>	Expenditures <u>and Transfers</u>
Exhibit D	\$ 20,518,329	\$ 22,210,695
Difference in property taxes meeting susceptible to accrual criteria	137,789	
Encumbrances, June 30, 2007		(1,396,313)
Encumbrances, June 30, 2008		979,158
Non-monetary transactions	45,585	45,585
On-behalf fringe benefits	<u>(403,769)</u>	<u>(403,769)</u>
Schedule 1	<u>\$ 20,297,934</u>	<u>\$ 21,435,356</u>

SCHEDULE A
TOWN OF MERRIMACK, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
June 30, 2008

	Special Revenue Funds	Drainage Capital Project Fund	Permanent Funds	Combining Totals
ASSETS				
Cash and cash equivalents	\$ 15,986			\$ 15,986
Equity in pooled cash and investments	822,577	\$ 1,739,375		2,561,952
Investments	131,714		\$ 3,488,115	3,619,829
Accounts receivable	107,134		-	107,134
Total Assets	<u>\$ 1,077,411</u>	<u>\$ 1,739,375</u>	<u>\$ 3,488,115</u>	<u>\$ 6,304,901</u>
LIABILITIES				
Accounts payable	\$ 7,145	\$ 197,560		\$ 204,705
Deferred revenue	48,428			48,428
Due to other funds			\$ 225	225
Total Liabilities	<u>55,573</u>	<u>197,560</u>	<u>225</u>	<u>253,358</u>
FUND BALANCES				
Reserved for endowments			2,238,434	2,238,434
Unreserved, reported in:				
Special revenue funds	1,021,838			1,021,838
Capital projects fund		1,541,815		1,541,815
Permanent funds			1,249,456	1,249,456
Total Fund Balances	<u>1,021,838</u>	<u>1,541,815</u>	<u>3,487,890</u>	<u>6,051,543</u>
Total Liabilities and Fund Balances	<u>\$ 1,077,411</u>	<u>\$ 1,739,375</u>	<u>\$ 3,488,115</u>	<u>\$ 6,304,901</u>

SCHEDULE A-1
TOWN OF MERRIMACK, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
June 30, 2008

	Library Fine <u>Fund</u>	Fire Protection <u>Area Fund</u>	Cable Television <u>Fund</u>	Heritage Commission <u>Fund</u>	Combining <u>Totals</u>
ASSETS					
Cash	\$ 15,986				\$ 15,986
Equity in pooled cash and investments		\$ 53,843	\$ 748,871	\$ 19,863	822,577
Investments	131,714				131,714
Accounts receivable		11,691	95,443		107,134
Total Assets	<u>\$ 147,700</u>	<u>\$ 65,534</u>	<u>\$ 844,314</u>	<u>\$ 19,863</u>	<u>\$ 1,077,411</u>
LIABILITIES					
Accounts payable		\$ 5,785	\$ 1,360		\$ 7,145
Deferred revenue	-	37,240	10,000	\$ 1,188	48,428
Total Liabilities	<u>\$ -</u>	<u>43,025</u>	<u>11,360</u>	<u>1,188</u>	<u>55,573</u>
FUND BALANCES					
Unreserved, reported in:					
Special revenue funds	147,700	22,509	832,954	18,675	1,021,838
Total Fund Balances	<u>147,700</u>	<u>22,509</u>	<u>832,954</u>	<u>18,675</u>	<u>1,021,838</u>
Total Liabilities and Fund Balances	<u>\$ 147,700</u>	<u>\$ 65,534</u>	<u>\$ 844,314</u>	<u>\$ 19,863</u>	<u>\$ 1,077,411</u>

SCHEDULE B**TOWN OF MERRIMACK, NEW HAMPSHIRE****Combining Statement of Revenues, Expenditures and Changes in Fund Balances****Governmental Funds - All Nonmajor Funds****For the Year Ended June 30, 2008**

	Special Revenue <u>Funds</u>	Drainage Capital Project <u>Fund</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
Revenues:				
Licenses and permits	\$ 373,797			\$ 373,797
Charges for services	73,717			73,717
Investment income (loss)	25,429	\$ 54,164	\$ (417,702)	(338,109)
Miscellaneous	28,195	30,700	-	58,895
Total Revenues	<u>501,138</u>	<u>84,864</u>	<u>(417,702)</u>	<u>168,300</u>
Expenditures:				
Current operations:				
General government			9,694	9,694
Public safety	73,216			73,216
Culture and recreation	221,333		72,175	293,508
Capital outlay	<u>35,976</u>	<u>220,349</u>		<u>256,325</u>
Total Expenditures	<u>330,525</u>	<u>220,349</u>	<u>81,869</u>	<u>632,743</u>
Excess of revenues over (under) expenditures	<u>170,613</u>	<u>(135,485)</u>	<u>(499,571)</u>	<u>(464,443)</u>
Other financing sources (uses):				
Proceeds of debt		1,677,300		1,677,300
Operating transfers in	<u>3,300</u>			<u>3,300</u>
Total other financing sources (uses)	<u>3,300</u>	<u>1,677,300</u>	<u>-</u>	<u>1,680,600</u>
Excess of revenues and other sources over (under) expenditures and other uses	173,913	1,541,815	(499,571)	1,216,157
Fund balances at beginning of year	<u>847,925</u>		<u>3,987,461</u>	<u>4,835,386</u>
Fund balances at end of year	<u>\$ 1,021,838</u>	<u>\$ 1,541,815</u>	<u>\$ 3,487,890</u>	<u>\$ 6,051,543</u>

SCHEDULE B-1**TOWN OF MERRIMACK, NEW HAMPSHIRE****Combining Statement of Revenues, Expenditures and Changes in Fund Balances****Governmental Funds - All Nonmajor Special Revenue Funds****For the Year Ended June 30, 2008**

	Library Fine Fund	Fire Protection Area Fund	Cable Television Fund	Heritage Commission Fund	Combining Totals
Revenues:					
Licenses and permits			\$ 373,797		\$ 373,797
Charges for services		\$ 73,717			73,717
Investment income	\$ 1,049	2,460	21,425	\$ 495	25,429
Miscellaneous	27,398			797	28,195
Total Revenues	<u>28,447</u>	<u>76,177</u>	<u>395,222</u>	<u>1,292</u>	<u>501,138</u>
Expenditures:					
Current operations:					
Public safety		73,216			73,216
Culture and recreation	40,896		179,316	1,121	221,333
Capital outlay			35,976		35,976
Total Expenditures	<u>40,896</u>	<u>73,216</u>	<u>215,292</u>	<u>1,121</u>	<u>330,525</u>
Excess of revenues over (under) expenditures	<u>(12,449)</u>	<u>2,961</u>	<u>179,930</u>	<u>171</u>	<u>170,613</u>
Other financing sources:					
Operating transfers in		-	-	3,300	3,300
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,300</u>	<u>3,300</u>
Excess of revenues and other sources over (under) expenditures	<u>(12,449)</u>	<u>2,961</u>	<u>179,930</u>	<u>3,471</u>	<u>173,913</u>
Fund balances at beginning of year	<u>160,149</u>	<u>19,548</u>	<u>653,024</u>	<u>15,204</u>	<u>847,925</u>
Fund balances at end of year	<u>\$ 147,700</u>	<u>\$ 22,509</u>	<u>\$ 832,954</u>	<u>\$ 18,675</u>	<u>\$ 1,021,838</u>