

TOWN OF MERRIMACK, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended June 30, 2011

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INDEPENDENT AUDITORS' 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, as of and for the year ended June 30, 2011, 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 and the standards applicable to financial audits contained in *Governmental 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 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 significant estimates made by management, as well as evaluating the overall 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, and the supplementary information, appearing on page 43, 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

Additional Offices:

Andover, MA • Greenfield, MA • Ellsworth, ME • Manchester, NH

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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 22, 2011 on our consideration of the Town'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
November 22, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Merrimack, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to 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 our finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all 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 is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. 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).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, health and welfare, sanitation, culture and recreation, and community development. The business-type activities include sewer activities.

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and proprietary 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.

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, which is considered to be a major fund. Data from the other governmental funds are combined into a single aggregated presentation.

An annual appropriated budget is adopted for the general fund and certain non-major governmental (special revenue) funds. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with budgets.

Proprietary funds. Proprietary funds are maintained as follows:

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statement provides separate information for the sewer operations.

Notes to 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 which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$118,427,785 (i.e., net assets), a decrease of \$142,588 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$13,215,880, a decrease of \$1,321,674 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the governmental funds was \$1,806,113, a decrease of \$396,035 in comparison to the prior year. In addition, total unassigned general fund balance changed by \$395,453.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$5,185,229, a decrease of \$642,166 in comparison to the prior year. The Town also had a note payable in the amount of \$2,211,987 at the close of the current fiscal year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	<u>NET ASSETS</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 47,391	\$ 48,201	\$ 5,387	\$ 4,807	\$ 52,778	\$ 53,008
Capital Assets	<u>66,929</u>	<u>64,552</u>	<u>43,446</u>	<u>42,661</u>	<u>110,375</u>	<u>107,213</u>
Total assets	114,320	112,753	48,833	47,468	163,153	160,221
Long-term liabilities outstanding	5,847	6,321	1,963	2,277	7,810	8,598
Other liabilities	<u>32,699</u>	<u>32,120</u>	<u>4,216</u>	<u>1,218</u>	<u>36,915</u>	<u>33,338</u>
Total liabilities	38,546	38,441	6,179	3,495	44,725	41,936
Net assets:						
Invested in capital assets, net	63,608	61,774	41,581	40,508	105,189	102,282
Restricted	4,065	3,257	-	-	4,065	3,257
Unrestricted	<u>8,101</u>	<u>9,281</u>	<u>1,073</u>	<u>3,465</u>	<u>9,174</u>	<u>12,746</u>
Total net assets	<u>\$ 75,774</u>	<u>\$ 74,312</u>	<u>\$ 42,654</u>	<u>\$ 43,973</u>	<u>\$ 118,428</u>	<u>\$ 118,285</u>

CHANGES IN NET ASSETS						
	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues						
Charges for services	\$ 2,035	\$ 2,110	\$ 3,334	\$ 3,423	\$ 5,369	\$ 5,533
Operating grants and contributions	736	407	-	-	736	407
Capital grants and contributions	1,689	485	78	587	1,767	1,072
General revenues						
Property Taxes	13,640	13,865	-	-	13,640	13,865
Licenses and permits	4,686	4,323	-	-	4,686	4,323
Grants and contributions not restricted to specific programs	1,167	1,169	-	-	1,167	1,169
Investment income	962	502	21	17	983	519
Other	164	32	-	-	164	32
Total revenues	<u>25,079</u>	<u>22,893</u>	<u>3,433</u>	<u>4,027</u>	<u>28,512</u>	<u>26,920</u>
Expenses:						
General government	3,000	2,792	-	-	3,000	2,792
Public safety	10,951	10,300	-	-	10,951	10,300
Highways and streets	4,655	4,982	-	-	4,655	4,982
Health and welfare	152	181	-	-	152	181
Sanitation	1,231	1,299	-	-	1,231	1,299
Culture and recreation	2,450	2,554	-	-	2,450	2,554
Community development	1,027	717	-	-	1,027	717
Interest on long-term debt	151	150	-	-	151	150
Sewer operations	-	-	4,752	4,695	4,752	4,695
Total expenses	<u>23,617</u>	<u>22,975</u>	<u>4,752</u>	<u>4,695</u>	<u>28,369</u>	<u>27,670</u>
Change in net assets before transfers and contributions	<u>1,462</u>	<u>(82)</u>	<u>(1,319)</u>	<u>(668)</u>	<u>143</u>	<u>(750)</u>
Increase in net assets	1,462	(82)	(1,319)	(668)	143	(750)
Net assets - beginning of year	<u>74,312</u>	<u>74,394</u>	<u>43,973</u>	<u>44,641</u>	<u>118,285</u>	<u>119,035</u>
Net assets - end of year	<u>\$ 75,774</u>	<u>\$ 74,312</u>	<u>\$ 42,654</u>	<u>\$ 43,973</u>	<u>\$ 118,428</u>	<u>\$ 118,285</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$118,427,785, an increase of \$142,588 from the prior year.

The largest portion of net assets \$105,188,742 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These

capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in 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.

An additional portion of net assets \$4,064,806 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$9,174,237 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a decrease in net assets of \$1,462,556. Key elements of this change are as follows:

Excess (Deficiency) of revenues and transfers in over expenditures and transfers out:	
General fund operations	\$ (888,578)
Special revenue funds	(344,230)
Capital project fund	(897,996)
Permanent funds	<u>809,130</u>
Subtotal	(1,321,674)
Depreciation in excess of debt service principal paydown	(2,142,620)
Capital assets acquired from current year revenues	4,874,480
Other	<u>52,370</u>
Total	<u><u>\$ 1,462,556</u></u>

While total net assets of the governmental activities changed by \$1,462,566, unrestricted net assets decreased \$1,179,375 principally due to the use of previous unrestricted net assets (Capital Reserve Funds) for the acquisition of new capital assets. In addition, investment income declined due to current market, conditions and lower interest rates.

Business-type activities. Business-type activities for the year resulted in a decrease in net assets of \$1,319,968. This change primarily results from a current plan to reduce the unrestricted net assets to \$2 million.

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$13,215,880, a change of \$(1,321,674) in comparison to the prior year. Most of this change was attributable to the use of Capital Reserve Funds for the expenditures for various capital projects.

In fiscal year 2011, the Town of Merrimack implemented *Governmental Accounting Standards Board Statement #54 Fund Balance Reporting and Governmental Fund Type Definitions*. In general, amounts previously reported as undesignated fund balance, are now reported as unassigned fund balance. Full definitions of all fund balance classifications can be found in the notes to the financial statements. Additionally, amounts previously reported in capital reserve funds, are now required to be presented as committed fund balance in the general fund.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,806,695; committed fund balance (non-sewer capital reserves) was \$4,007,568, while total fund balance was \$7,070,318. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>
Unassigned fund balance	\$ 1,806,695	\$ 2,202,148	\$ (395,453)
Committed fund balance (Capital Reserves)	4,007,568	5,032,175	(1,024,607)
Other fund balance	<u>1,256,055</u>	<u>726,873</u>	<u>529,182</u>
Total fund balance ¹	<u>\$ 7,070,318</u>	<u>\$ 7,961,196</u>	<u>\$ (890,878)</u>
Unassigned fund balance as % of total general fund expenditures	7.8%	10.3%	-2.5%
Committed fund balance (Capital Reserves) as a % of total general fund expenditures	17.3%	23.6%	-6.3%
Total fund balance as % of general fund expenditures ²	30.5%	33.9%	-3.4%

¹Now includes capital reserve fund. Prior period balances have been revised to conform to current presentation.

²General fund expenditures include Town expenditures only, and not the School District or County assessments.

The total fund balance of the general fund changed by \$(890,878) during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ (734,661)
Expenditures less than budget	1,058,414
Expenditures of prior year encumbrances	(1,242,700)
Other	<u>28,069</u>
Total	<u>\$ (890,878)</u>

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$1,072,888, a change of \$(2,392,473) in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$621,057. The majority of the overall change represents appropriations from Federal funds to help offset the two FEMA events during the fiscal year.

Unspent General Fund appropriations were due to several factors including the self-imposed reduction in expenditures so that revenues would not exceed appropriations. Below is a brief summary of the variances.

- Renewal health insurance rates were higher than appropriations, resulting in a deficit of over \$46,644.
- A savings of over \$380,658 in wages and other benefits was realized due primarily to vacancies and attrition.
- Utilities were less than anticipated, resulting in a savings of over \$22,210.
- Vehicle fuel expenditures were over budget in excess of \$41,177.
- Welfare appropriations were under spent by \$19,462.
- Office equipment expenditures were less than appropriations by \$16,672.
- Building improvements were over budgeted appropriations by \$111,359.
- Uniforms appropriations exceeded expenditures by \$52,757.

- General insurance appropriations were in excess of expenditures of over \$36,211.
- Education was under spent by \$8,399.
- Capital expenditures were less than appropriations by \$1,706,410.
- Auto registrations were \$109,366 under estimate revenues.
- Interest income was under projections by over \$178,200.
- Ambulance revenues were under projections by \$76,353.
- Highway Block Grant exceeds projections by \$81,626.
- Current use taxes exceed the budget by over \$66,296.
- State revenue Sharing was under estimates by \$2,281.
- Building permits were over projections by just over \$158,800.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$110,374,553 (net of accumulated depreciation), a decrease of \$3,162,199 from the prior year. This investment in capital assets includes land, buildings, system improvements, and machinery and equipment, park facilities, roads, highways and bridges.

Major capital asset events during the current fiscal year included completion of Interceptor restoration project, WWTF HVAC System Upgrade, Reeds Ferry Sewer Line Upgrade, purchase of a Dump Truck and Ambulance and other on-going infrastructure improvements.

Change in credit rating. The Town of Merrimack, New Hampshire has not had a credit rating for several years. The last credit rating the Town had was Moody's credit rating of Aa2.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$5,185,229, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in note 12, of this report.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's financial position is good. The Town has sufficient cash flow at this time to meet its obligations. The Economy in Southern New Hampshire seems to be doing better compared to the rest of the State and The State of New Hampshire seems to be in better shape than the rest of the country's economy. In the next few years, the Town could see substantial growth due to the Airport Access Road being completed two years ahead of schedule in the north end of Town and the Outlet Mall being built in the southern end of Town. In addition, the Town's unemployment rate is down to 4.9% from the previous year of 7.1%,

and it still compares favorably with the state and national averages of 5.3% and 9.1%, respectively. Furthermore, it appears that the Outlet Mall project will open 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.

The 2011-12 budget has been adopted, and the 2011 property tax rate (Fiscal Year 2012) has been set. Municipal appropriations, net of non-tax revenues, have increased slightly by \$665,163 (4.75%) compared to 2010-11 net appropriations, and the municipal portion of the tax rate is estimated to be \$5.24 per thousand. The Town's portion of the tax rate increase by ninety-one cents due to a revaluation which lowered assessed values by \$434 Million. If this revaluation did not occur the tax rate would have increased by twenty cents. The Merrimack School District's portion of the tax rate increased by two dollars and forty-six cents; however, the County portion of the tax rate increased by thirteen cents, while the State portion of the School tax increased by forty cents allowing the 2011 property tax rate to increase by approximately \$3.90. In reviewing the increase in the tax rate by \$3.90, the revaluation attributed to \$3.16 of the increase, while \$.74 is attributed to additional appropriations.

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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Attention: Town Council

Town of Merrimack

6 Baboosic Lake Road

Merrimack, New Hampshire 03054


Eileen Cabanel
Town Manager


Paul T Micali CPA
Finance Director

TOWN OF MERRIMACK, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and cash equivalents	\$ 32,400,096	\$ 3,050,216	\$ 35,450,312
Investments	6,087,481	551,348	6,638,829
Taxes receivable, net	6,271,287	-	6,271,287
Accounts receivable, net	1,384,447	1,785,394	3,169,841
Inventory	115,858	-	115,858
Other assets	7,472	-	7,472
Noncurrent:			
Taxes receivable	1,124,434	-	1,124,434
Capital assets:			
Capital assets not being depreciated	19,604,293	2,842,405	22,446,698
Other assets, net of accumulated depreciation	47,324,416	40,603,439	87,927,855
TOTAL ASSETS	114,319,784	48,832,802	163,152,586
LIABILITIES			
Current:			
Accounts payable	761,798	96,569	858,367
Accrued expenses	1,210,107	31,408	1,241,515
Retainage payable	116,883	94,255	211,138
Deferred revenue	6,591,923	16,078	6,608,001
Taxes collected in advance	25,189,705	-	25,189,705
Due to other governments	10,000	-	10,000
Internal balances	(1,766,044)	1,766,044	-
Note payable	-	2,211,987	2,211,987
Other liabilities	584,243	-	584,243
Current portion of long-term liabilities:			
Bonds payable	360,000	361,682	721,682
Other liabilities	595,700	-	595,700
Noncurrent:			
Bonds payable, net of current portion	2,960,000	1,503,547	4,463,547
Other liabilities, net of current portion	1,931,187	97,729	2,028,916
TOTAL LIABILITIES	38,545,502	6,179,299	44,724,801
NET ASSETS			
Invested in capital assets, net of related debt	63,608,127	41,580,615	105,188,742
Restricted for:			
Permanent funds:			
Nonexpendable	1,559,546	-	1,559,546
Expendable	2,505,260	-	2,505,260
Unrestricted	8,101,349	1,072,888	9,174,237
TOTAL NET ASSETS	\$ 75,774,282	\$ 42,653,503	\$ 118,427,785

See notes to financial statements.

TOWN OF MERRIMACK, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

		Program Revenues			Net(Expenses) Revenues and Changes in Net Assets		
		Charges for	Operating	Capital	Governmental	Business-	Total
	<u>Expenses</u>	<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Activities</u>	<u>Type</u>	
			<u>Contributions</u>	<u>Contributions</u>		<u>Activities</u>	
Governmental Activities:							
General government	\$ 2,999,512	\$ 557,219	\$ 120,038	\$ -	\$ (2,322,255)	\$ -	\$ (2,322,255)
Public safety	10,951,184	1,092,153	133,302	-	(9,725,729)	-	(9,725,729)
Highways and streets	4,655,438	7,111	-	1,689,381	(2,958,946)	-	(2,958,946)
Health and welfare	152,568	6,442	-	-	(146,126)	-	(146,126)
Sanitation	1,231,442	162,636	-	-	(1,068,806)	-	(1,068,806)
Culture and recreation	2,449,608	206,965	142	-	(2,242,501)	-	(2,242,501)
Community development	1,027,164	2,859	482,198	-	(542,107)	-	(542,107)
Interest and fiscal charges	150,609	-	-	-	(150,609)	-	(150,609)
Total Governmental Activities	23,617,525	2,035,385	735,680	1,689,381	(19,157,079)	-	(19,157,079)
Business-Type Activities:							
Sewer	4,752,278	3,333,733	-	78,291	-	(1,340,254)	(1,340,254)
Total	\$ <u>28,369,803</u>	\$ <u>5,369,118</u>	\$ <u>735,680</u>	\$ <u>1,767,672</u>	(19,157,079)	(1,340,254)	(20,497,333)
General Revenues:							
Property and other taxes					13,640,289	-	13,640,289
Licenses and permits					4,686,165	-	4,686,165
Grants and contributions:							
State shared revenues					1,166,429	-	1,166,429
Investment income					962,259	20,286	982,545
Miscellaneous					164,493	-	164,493
Total general revenues					20,619,635	20,286	20,639,921
Change in Net Assets					1,462,556	(1,319,968)	142,588
Net Assets:							
Beginning of year					74,311,726	43,973,471	118,285,197
End of year					\$ <u>75,774,282</u>	\$ <u>42,653,503</u>	\$ <u>118,427,785</u>

See notes to financial statements.

TOWN OF MERRIMACK, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

	General <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 31,071,467	\$ 1,328,627	\$ 32,400,094
Investments	2,518,897	3,568,584	6,087,481
Taxes receivable, net	7,395,721	-	7,395,721
Accounts receivable, net	695,663	688,784	1,384,447
Due from other funds	890,766	875,278	1,766,044
Inventory	115,858	-	115,858
Other assets	<u>7,473</u>	<u>-</u>	<u>7,473</u>
TOTAL ASSETS	\$ <u>42,695,845</u>	\$ <u>6,461,273</u>	\$ <u>49,157,118</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 566,808	\$ 194,990	\$ 761,798
Accrued expenses	1,161,053	-	1,161,053
Retainage payable	7,350	109,533	116,883
Deferred revenue	7,540,668	11,188	7,551,856
Taxes collected in advance	25,189,705	-	25,189,705
Due to other governments	10,000	-	10,000
Accrued compensated absences payable	565,700	-	565,700
Other liabilities	<u>584,243</u>	<u>-</u>	<u>584,243</u>
TOTAL LIABILITIES	35,625,527	315,711	35,941,238
Fund Balances:			
Nonspendable	523,905	1,559,546	2,083,451
Restricted	-	4,586,598	4,586,598
Committed	4,007,568	-	4,007,568
Assigned	732,150	-	732,150
Unassigned	<u>1,806,695</u>	<u>(582)</u>	<u>1,806,113</u>
TOTAL FUND BALANCES	<u>7,070,318</u>	<u>6,145,562</u>	<u>13,215,880</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>42,695,845</u>	\$ <u>6,461,273</u>	\$ <u>49,157,118</u>

See notes to financial statements.

TOWN OF MERRIMACK, NEW HAMPSHIRE
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2011

Total governmental fund balances	\$ 13,215,880
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	66,928,709
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	959,933
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(49,053)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, compensated absences, landfill liability, and other post employment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(5,281,187)</u>
Net assets of governmental activities	<u><u>\$ 75,774,282</u></u>

See notes to financial statements.

TOWN OF MERRIMACK, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2011

	General <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 13,574,726	\$ 27,808	\$ 13,602,534
Charges for services	1,897,447	137,939	2,035,386
Intergovernmental	2,491,735	1,099,755	3,591,490
Licenses and permits	4,227,520	458,645	4,686,165
Investment income	109,591	852,668	962,259
Miscellaneous	<u>-</u>	<u>164,489</u>	<u>164,489</u>
Total Revenues	22,301,019	2,741,304	25,042,323
Expenditures:			
Current:			
General government	3,124,507	321,817	3,446,324
Public safety	10,950,556	79,165	11,029,721
Highways and streets	4,130,895	2,112,746	6,243,641
Health and welfare	153,046	-	153,046
Sanitation	1,136,360	-	1,136,360
Culture and recreation	2,158,299	660,672	2,818,971
Community Development	1,026,799	-	1,026,799
Debt service:			
Principal retirement	355,000	-	355,000
Interest and fiscal charges	<u>154,135</u>	<u>-</u>	<u>154,135</u>
Total Expenditures	<u>23,189,597</u>	<u>3,174,400</u>	<u>26,363,997</u>
Excess (deficiency) of revenues over expenditures	(888,578)	(433,096)	(1,321,674)
Other Financing Sources (Uses):			
Transfers in	-	2,300	2,300
Transfers out	<u>(2,300)</u>	<u>-</u>	<u>(2,300)</u>
Total Other Financing Sources (Uses)	<u>(2,300)</u>	<u>2,300</u>	<u>-</u>
Change in fund balance	(890,878)	(430,796)	(1,321,674)
Fund Equity, at Beginning of Year, as restated	<u>7,961,196</u>	<u>6,576,358</u>	<u>14,537,554</u>
Fund Equity, at End of Year	<u>\$ 7,070,318</u>	<u>\$ 6,145,562</u>	<u>\$ 13,215,880</u>

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, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (1,321,674)**

- Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay purchases, net of disposals	4,874,480
Depreciation	(2,497,620)

- Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue.

37,757

- The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:

Repayments of debt	355,000
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- In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.

3,526

- Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.

Compensated absences	41,080
Other post employment benefits liability	(59,993)
Landfill liability	<u>30,000</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 1,462,556**

See notes to financial statements.

TOWN OF MERRIMACK, NEW HAMPSHIRE

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues and other sources:				
Property taxes	\$ 13,254,200	\$ 13,254,200	\$ 13,254,200	\$ -
Charges for services	2,424,360	2,455,149	1,897,447	(557,702)
Intergovernmental	1,776,261	2,366,529	2,491,735	125,206
Licenses and permits	4,351,481	4,351,481	4,227,520	(123,961)
Investment income	<u>275,000</u>	<u>275,000</u>	<u>96,796</u>	<u>(178,204)</u>
Total Revenues	22,081,302	22,702,359	21,967,698	(734,661)
Expenditures and other uses:				
Current:				
General government	2,788,860	2,797,654	2,675,195	122,459
Public safety	10,947,920	11,035,183	10,457,335	577,848
Highways and streets	3,288,834	3,293,834	3,399,613	(105,779)
Health and welfare	182,050	182,050	152,692	29,358
Sanitation	1,172,662	1,172,662	1,134,051	38,611
Culture and recreation	2,302,045	2,322,045	2,156,173	165,872
Community development	517,495	1,017,495	787,451	230,044
Debt service	509,136	509,136	509,135	1
Other financing uses:				
Transfers out	<u>372,300</u>	<u>372,300</u>	<u>372,300</u>	<u>-</u>
Total Expenditures	<u>22,081,302</u>	<u>22,702,359</u>	<u>21,643,945</u>	<u>1,058,414</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>323,753</u>	\$ <u>323,753</u>

See notes to financial statements.

TOWN OF MERRIMACK, NEW HAMPSHIRE

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Sewer Fund
<u>ASSETS</u>	
Current:	
Cash and short-term investments	\$ 3,050,216
Investments	551,348
User charges receivable	506,110
Intergovernmental receivable	<u>1,279,284</u>
Total current assets	5,386,958
Noncurrent:	
Nondepreciable capital assets	2,842,405
Other capital assets, net of accumulated depreciation	<u>40,603,439</u>
Total noncurrent assets	<u>43,445,844</u>
TOTAL ASSETS	48,832,802
<u>LIABILITIES</u>	
Current:	
Accounts payable	96,569
Accrued liabilities	31,408
Retainage payable	94,255
Deferred revenue	16,078
Due to other funds	1,766,044
Note payable	2,211,987
Current portion of long-term liabilities:	
Bonds payable	<u>361,682</u>
Total current liabilities	4,578,023
Noncurrent:	
Bonds payable, net of current portion	1,503,547
Compensated absences	<u>97,729</u>
Total noncurrent liabilities	<u>1,601,276</u>
TOTAL LIABILITIES	6,179,299
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	41,580,615
Unrestricted	<u>1,072,888</u>
TOTAL NET ASSETS	<u>\$ 42,653,503</u>

See notes to financial statements.

TOWN OF MERRIMACK, NEW HAMPSHIRE

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	Sewer Fund
Operating Revenues:	
Charges for services	\$ 3,294,514
Licenses and permits	1,350
Other	<u>37,869</u>
Total Operating Revenues	3,333,733
Operating Expenses:	
Personnel services	1,660,786
Non-personnel services	1,544,562
Depreciation	<u>1,468,186</u>
Total Operating Expenses	<u>4,673,534</u>
Operating Income (Loss)	(1,339,801)
Nonoperating Revenues (Expenses):	
Intergovernmental grants	78,291
Investment income	20,286
Interest expense	<u>(78,744)</u>
Total Nonoperating Revenues (Expenses), Net	<u>19,833</u>
Change in net assets	(1,319,968)
Net Assets at Beginning of Year	<u>43,973,471</u>
Net Assets at End of Year	<u><u>\$ 42,653,503</u></u>

See notes to financial statements.

TOWN OF MERRIMACK, NEW HAMPSHIRE
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2011

	Sewer Fund
<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 3,854,423
Interfund receipts for services provided	832,674
Payments of employee salaries and related expenses	(1,687,485)
Payments to vendors and suppliers	<u>(1,383,189)</u>
Net Cash Provided By (Used For) Operating Activities	1,616,423
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition and construction of capital assets	(2,264,925)
Issuance of short term loans	1,027,674
Issuance of long term loans	5,839
Principal payments on bonds and notes	(293,005)
Interest expense	(78,744)
Intergovernmental reimbursements	78,291
Other	<u>11,397</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	(1,513,473)
<u>Cash Flows From Investing Activities:</u>	
Investment income	20,286
Purchase of investments	<u>894,714</u>
Net Cash Provided By Investing Activities	<u>915,000</u>
Net Change in Cash and Short-Term Investments	1,017,950
Cash and Short-Term Investments, Beginning of Year	<u>2,032,266</u>
Cash and Short-Term Investments, End of Year	<u><u>\$ 3,050,216</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income (loss)	\$ (1,339,801)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	1,468,186
Changes in assets and liabilities:	
Accounts receivable	523,903
Accounts payable	96,571
Interfund payables/receivables	832,674
Accrued liabilities	870
Retainage payable	63,934
Unearned revenues	(3,215)
Compensated absences	<u>(26,699)</u>
Net Cash Provided By (Used For) Operating Activities	<u><u>\$ 1,616,423</u></u>

TOWN OF MERRIMACK, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Merrimack (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. 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.

As required by generally accepted accounting principles, these financial statements present the government and applicable organizations for which the government is considered to be financially accountable, including the Town Trustees of Trust funds and the Trustees of the Merrimack Public Library.

In fiscal year 2011, it was determined that no other entities met the required GASB 39 criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items

not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and major enterprise fund are reported as separate columns in the fund financial statements.

C. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

Government-wide Financial Statements

The government-wide financial statements are reported using the *resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 government reports the following major governmental funds:

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following major proprietary fund:

- The *sewer fund* accounts for all revenues and expenses pertaining to the Town's sewer operations.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment 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 short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

F. Interfund Receivables and Payables

Transactions between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due from/to other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

G. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase

of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	50
Improvements other than buildings	7 - 50
Buildings and systems	20 - 45
Machinery, equipment and furnishings	6 - 20

I. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

K. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net assets".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e. inventory or noncurrent accounts receivable) or can never be spent (i.e. perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government, the Town Meeting.
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for.
- 5) Unassigned funds are available to be spent in future periods. Individual fund deficits, if any, are classified as unassigned.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing 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. All other net assets are reported as unrestricted.

L. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public.

Formal budgetary integration is employed as a management control device during the year for the General Fund.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The general fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues, as reported on the accompanying financial statements	\$ 22,301,019	\$ 23,189,597
Other financing sources (uses) as reported on the financial statements	<u>-</u>	<u>2,300</u>
Subtotal (GAAP Basis)	22,301,019	23,191,897
To adjust property tax revenue to the budgetary basis	(320,526)	-
To reverse expenditures of prior year appropriation carryforwards	-	(1,242,700)
To book current year appropriation carryforwards	-	732,150
To remove capital reserve funds	<u>(12,795)</u>	<u>(1,037,402)</u>
Budgetary Basis	\$ <u>21,967,698</u>	\$ <u>21,643,945</u>

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a Town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank."

The Town's investment policy applies to all public funds held by the Town Treasurer in accordance with RSA 41:29 and to capital reserve funds held by the Trustees of Trust Funds in accordance with RSA 35:9. Deposits shall be made only in the New Hampshire Public Deposit Investment Pool (NHPDIP) and in New Hampshire banks that are FDIC insured. No more than \$2,000,000 shall be deposited without perfected collateral, in any one bank. Unsecured deposits of more than \$100,000 in banks that do not meet at least six of the creditworthiness ratios adopted by the Town Council, are prohibited. Unsecured deposits of more than \$1,000,000 may be made only in banks that meet at least seven of the creditworthiness ratios adopted by the Council.

The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by State law and is administered by a public body of state, local and banking officials.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The Town does not have a credit risk policy.

Presented below are the investments of the Town:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u> ⁽¹⁾
U.S. Treasury notes	\$ 1,363,032	<1 yr	Aaa
U.S. Treasury notes	86,457	1-5 yrs	Aaa
Federal agencies	1,240,975	<1 yr	Aaa
Federal agencies	377,799	1-5 yrs	Aaa
Certificates of deposit	1,992	1-5 yrs	N/A
Corporate equities	3,427,274	N/A	N/A
Mutual funds	<u>141,300</u>	N/A	N/A
Total investments	<u>\$ 6,638,829</u>		

⁽¹⁾ As of June 30, 2011

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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. The Town's policy on custodial credit risk states that investments shall be made only in obligations of the United States, or no more than \$2,000,000 shall be invested, without perfected collateral, in any one financial institution. Unsecured investments of more than \$100,000 that do not meet at least six of the creditworthiness ratios adopted by Town Council, are prohibited. Unsecured investments of more than \$1,000,000 may be made only in financial institutions that meet at least seven of the adopted creditworthiness ratios. All of the Town's investments are exposed to custodial credit

risk. The Town manages this risk with Securities Investor Protection Corporation (SIPC) and excess SIPC coverage.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer, other than U.S. Treasury notes, that represent 5% or more of total investments are as follows:

FFCB	\$ 694,712
FHLB	722,672

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

5. Taxes Receivable

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs and accrued interest. The accounts that are liened by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Taxes receivable at June 30, 2011 consist of the following (in thousands):

Real Estate Levy 2011	\$ 6,286
Current Use	76
Yield Tax	3
Tax Liens	1,255
Deferred Taxes	16
Less Allowance for Doubtful Accounts	<u>(240)</u>
Total	<u>\$ 7,396</u>

Taxes Collected for Others

The Town collects property taxes for the State of New Hampshire, the Merrimack School District and the County of Hillsborough. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the Town.

6. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2011 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 890,766	\$ -
Nonmajor Funds:		
Fire protection fund	23,575	-
Cable television fund	100,765	-
Heritage commission fund	26,283	-
Conservation fund	30,746	-
Special conservation fund	-	9,937
Current use fund	1,084,051	-
Drainage fund	-	380,205
Enterprise Funds:		
Sewer	-	1,766,044
Total	<u>\$ 2,156,186</u>	<u>\$ 2,156,186</u>

7. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and systems	\$ 7,996,721	\$ 643,402	\$ -	\$ 8,640,123
Improvements other than buildings	1,793,406	-	-	1,793,406
Machinery, equipment, and furnishings	10,473,138	912,432	-	11,385,570
Infrastructure	<u>74,214,772</u>	<u>1,498,138</u>	<u>-</u>	<u>75,712,910</u>
Total capital assets, being depreciated	94,478,037	3,053,972	-	97,532,009
Less accumulated depreciation for:				
Buildings and systems	(3,135,209)	(196,805)	-	(3,332,014)
Improvements other than buildings	(764,762)	(56,297)	-	(821,059)
Machinery, equipment, and furnishings	(6,877,620)	(738,368)	-	(7,615,988)
Infrastructure	<u>(36,932,382)</u>	<u>(1,506,150)</u>	<u>-</u>	<u>(38,438,532)</u>
Total accumulated depreciation	<u>(47,709,973)</u>	<u>(2,497,620)</u>	<u>-</u>	<u>(50,207,593)</u>
Total capital assets, being depreciated, net	46,768,064	556,352	-	47,324,416
Capital assets, not being depreciated:				
Land	16,556,818	293,299	-	16,850,117
Construction in progress	<u>1,226,967</u>	<u>2,457,929</u>	<u>(930,720)</u>	<u>2,754,176</u>
Total capital assets, not being depreciated	<u>17,783,785</u>	<u>2,751,228</u>	<u>(930,720)</u>	<u>19,604,293</u>
Governmental activities capital assets, net	<u>\$ 64,551,849</u>	<u>\$ 3,307,580</u>	<u>\$ (930,720)</u>	<u>\$ 66,928,709</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities (Sewer):				
Capital assets, being depreciated:				
Buildings and systems	\$ 59,608,478	\$ 16,942	\$ -	\$ 59,625,420
Machinery, equipment, and furnishings	9,301,386	16,992	(57,000)	9,261,378
Improvements other than buildings	<u>412,390</u>	<u>-</u>	<u>-</u>	<u>412,390</u>
Total capital assets, being depreciated	69,322,254	33,934	(57,000)	69,299,188
Less accumulated depreciation for:				
Buildings and systems	(20,458,837)	(1,060,975)	-	(21,519,812)
Machinery, equipment, and furnishings	(6,423,438)	(3,745)	-	(6,427,183)
Improvements other than buildings	<u>(390,887)</u>	<u>(403,467)</u>	<u>45,600</u>	<u>(748,754)</u>
Total accumulated depreciation	<u>(27,273,162)</u>	<u>(1,468,187)</u>	<u>45,600</u>	<u>(28,695,749)</u>
Total capital assets, being depreciated, net	42,049,092	(1,434,253)	(11,400)	40,603,439
Capital assets, not being depreciated:				
Land	238,770	-	-	238,770
Construction in progress	<u>372,643</u>	<u>2,230,992</u>	<u>-</u>	<u>2,603,635</u>
Total capital assets, not being depreciated	<u>611,413</u>	<u>2,230,992</u>	<u>-</u>	<u>2,842,405</u>
Business-type activities capital assets, net	<u>\$ 42,660,505</u>	<u>\$ 796,739</u>	<u>\$ (11,400)</u>	<u>\$ 43,445,844</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 128
Public safety	412
Highway and streets	1,744
Sanitation	129
Culture and recreation	<u>85</u>
Total depreciation expense - governmental activities	\$ <u>2,498</u>

Business-Type Activities:	
Sewer	\$ <u>1,468</u>

8. **Accounts Payable and Accrued Expenses**

Accounts payable represent additional 2011 expenditures paid after June 30, 2011.

9. **Deferred Revenue**

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund *deferred revenues* account is equal to the total of all June 30, 2011 receivable balances, except property taxes that are accrued for subsequent 60-day collections.

10. **Taxes Collected in Advance**

Taxes collected in advance represent fiscal year 2010 taxes collected on or before June 30, 2011.

11. **Note Payable**

The Town has a Dewatering Upgrade State Revolving Loan outstanding in the amount of \$2,211,987 at June 30, 2011 in the sewer fund. The note accrues at 1% during the construction phase and will be permanently financed upon completion.

12. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

	Serial Maturities <u>Through</u>	Interest Rate(s) % <u>Rate(s) %</u>	Amount Outstanding as of 6/30/11
<u>Governmental Activities:</u>			
Green's Pond Land Bond	08/15/17	3.0 - 4.5%	\$ 1,890,000
Drainage Improvement Bond	08/15/22	4.0 - 4.75%	<u>1,430,000</u>
Total Governmental Activities:			<u>\$ 3,320,000</u>

	Serial Maturities <u>Through</u>	Interest Rate(s) % <u>Rate(s) %</u>	Amount Outstanding as of 6/30/11
<u>Business-Type Activities:</u>			
Organic Waste Composting Facility Bonds	04/01/15	4.63%	\$ 1,314,172
Interceptor Repair	12/01/19	1.85%	<u>551,057</u>
Total Business-Type Activities:			<u>\$ 1,865,229</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2011 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 360,000	\$ 131,723	\$ 491,723
2013	365,000	117,104	482,104
2014	370,000	102,026	472,026
2015	375,000	86,397	461,397
2016	380,000	69,873	449,873
2017-2021	1,170,000	159,366	1,329,366
2022	<u>300,000</u>	<u>14,487</u>	<u>314,487</u>
Total	<u>\$ 3,320,000</u>	<u>\$ 680,976</u>	<u>\$ 4,000,976</u>

The general fund has been designated as the source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2011.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 361,682	\$ 78,783	\$ 440,465
2013	375,883	55,549	431,432
2014	390,741	39,705	430,446
2015	406,288	23,172	429,460
2016	55,105	5,918	61,023
2017-2021	<u>275,530</u>	<u>14,796</u>	<u>290,326</u>
Total	<u>\$ 1,865,229</u>	<u>\$ 217,923</u>	<u>\$ 2,083,152</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2011, the following changes occurred in long-term liabilities:

	<u>Total Balance 7/1/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/11</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 6/30/11</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 3,675,000	\$ -	\$ (355,000)	\$ 3,320,000	\$ (360,000)	\$ 2,960,000
Other:						
Landfill closure	690,000	-	(30,000)	660,000	(30,000)	630,000
Accrued employee benefits	1,819,969	50,084	(199,235)	1,670,818	(565,700)	1,105,118
Net OPEB obligation	<u>136,076</u>	<u>59,993</u>	<u>-</u>	<u>196,069</u>	<u>-</u>	<u>196,069</u>
Totals	<u>\$ 6,321,045</u>	<u>\$ 110,077</u>	<u>\$ (584,235)</u>	<u>\$ 5,846,887</u>	<u>\$ (955,700)</u>	<u>\$ 4,891,187</u>
	<u>Total Balance 7/1/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/11</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 6/30/11</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 2,152,395	\$ 5,839	\$ (293,005)	\$ 1,865,229	\$ (361,862)	\$ 1,503,367
Other:						
Accrued employee benefits	<u>124,428</u>	<u>-</u>	<u>(26,699)</u>	<u>97,729</u>	<u>-</u>	<u>97,729</u>
Totals	<u>\$ 2,276,823</u>	<u>\$ 5,839</u>	<u>\$ (319,704)</u>	<u>\$ 1,962,958</u>	<u>\$ (361,862)</u>	<u>\$ 1,601,096</u>

13. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the 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 post-closure care costs has a balance of \$660,000 as of June 30, 2011, 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, 2011. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The remaining post-closure care costs are expected to be financed in the General Fund.

14. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

15. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

16. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's single employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of July 1, 2010, the actuarial valuation date, approximately 43 retirees and 184 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 100% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2011 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The

following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2011, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2010.

Annual Required Contribution (ARC)	\$ 64,615
Interest on net OPEB obligation	8,165
Adjustment to ARC	<u>(12,787)</u>
Annual OPEB cost	59,993
Contributions made	<u>-</u>
Increase in net OPEB obligation	59,993
Net OPEB obligation - beginning of year	<u>136,076</u>
Net OPEB obligation - end of year	<u>\$ 196,069</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 59,993	0%	\$ 196,069
2010	\$ 68,038	0%	\$ 136,076
2009	\$ 68,308	0%	\$ 68,038

The Town's net OPEB obligation as of June 30, 2011 is recorded as a component of the "other long-term liabilities" line item.

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 1,076,514
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,076,514</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend rate of 9% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

17. Retirement System

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System (the System), a multiple-employer contributory pension plan and trust 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 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 of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group, funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the System's annual report available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Funding Policy

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 9.16% for employees, 14.63% for police and 18.52% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and is 9.16% for all other covered employees. The Town's contributions to the System for the years ended June 30, 2011, 2010, and 2009 were \$1,496,808, \$1,324,320, and \$1,216,169, respectively, which were equal to its annual required contributions for each of these years.

The payroll for employees covered by the System for the year ended June 30, 2011, was \$11,311,862. Employee contributions for the year ended June 30, 2011 were \$833,557.

18. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

19. Beginning Fund Balance/Net Assets Reclassification

The beginning (July 1, 2010) fund balances/net assets of the Town's fund basis financial statements have been reclassified as follows:

	Fund Equity 6/30/10 (as previously reported)	<u>Reclassification</u>	Fund Equity 6/30/10 (as restated)
General fund	\$ 2,929,021	\$ 5,032,175	\$ 7,961,196
Capital reserve fund	<u>5,032,175</u>	<u>(5,032,175)</u>	<u>-</u>
Total	<u>\$ 7,961,196</u>	<u>\$ -</u>	<u>\$ 7,961,196</u>

TOWN OF MERRIMACK, NEW HAMPSHIRE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011
(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/08	\$ -	\$ 1,081,415	\$ 1,081,415	0.0%	N/A	N/A
07/01/10	\$ -	\$ 1,076,514	\$ 1,076,514	0.0%	N/A	N/A

See Independent Auditors' Report.