

**TOWN OF MERRIMACK,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

TOWN OF MERRIMACK, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3 - 10

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements	
A Statement of Net Position	11
B Statement of Activities	12
Fund Financial Statements	
<i>Governmental Funds</i>	
C-1 Balance Sheet	13
C-2 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	14
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	15
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
<i>Budgetary Comparison Information</i>	
D Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	17
<i>Proprietary Fund</i>	
E-1 Statement of Fiduciary Net Position	18
E-2 Statement of Revenues, Expenses, and Change in Fiduciary Net Position.....	19
E-3 Statement of Cash Flows	20
<i>Fiduciary Funds</i>	
F-1 Statement of Fiduciary Net Position	21
F-2 Statement of Changes in Fiduciary Net Position	22
NOTES TO THE BASIC FINANCIAL STATEMENTS	23 - 41

REQUIRED SUPPLEMENTARY INFORMATION

G Schedule of Funding Progress for Other Postemployment Benefit Plan	42
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION	43

COMBINING AND INDIVIDUAL FUND SCHEDULES

Governmental Funds	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	44
2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis).....	45
3 Schedule of Changes in Unassigned Fund Balance.....	46
<i>Nonmajor Governmental Funds</i>	
4 Combining Balance Sheet	47
5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	48



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, major general fund, and aggregate remaining fund information of the Town of Merrimack as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, major general fund, and aggregate remaining fund information of the Town of Merrimack as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows, and the respective budgetary comparison for the major general fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 10) and the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 42) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or

Town of Merrimack
Independent Auditor's Report

historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

February 13, 2015

Plodzik & Sanderson
Professional Association

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, 2014.

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 Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, 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 Balance 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 statements provide 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 \$115,684,640 (i.e., net position), a change of \$(2,294,763) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$12,620,531, a change of (\$260,903) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the governmental funds was \$3,258,678, a change of \$381,504 in comparison to the prior year.
- Total bonds and loans payable at the close of the current fiscal year was \$5,074,687, a change of (\$1,024,928) in comparison to the prior year. The Town also had notes payable in the amount of \$503,584 at the close of the current fiscal year, a change of 371,109 from the prior 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 POSITION</u>					
		Governmental		Business-Type		Total	
		<u>Activities</u>		<u>Activities</u>			
		2014	2013	2014	2013	2014	2013
Current and Other assets	\$	50,734	49,616	3,818	3,869	54,552	53,485
Capital assets		<u>67,308</u>	<u>68,511</u>	<u>39,273</u>	<u>40,224</u>	<u>106,581</u>	<u>108,735</u>
Total assets		118,042	118,127	43,091	44,093	161,133	162,220
Long-term liabilities outstanding		4,367	5,123	2,888	3,656	7,255	8,779
Other liabilities		<u>1,811</u>	<u>1,350</u>	<u>698</u>	<u>234</u>	<u>2,509</u>	<u>1,584</u>
Total Liabilities		6,178	6,473	3,586	3,890	9,764	10,363
Deferred inflows of resources		35,501	33,838	183	10	35,684	33,848
Net Position:							
Net investment in capital assets		65,083	66,036	36,052	36,587	101,135	102,623
Restricted		2,400	4,334	-	-	2,400	4,334
Unrestricted		<u>8,880</u>	<u>7,446</u>	<u>3,270</u>	<u>3,606</u>	<u>12,150</u>	<u>11,052</u>
Total net position	\$	76,363	77,816	39,322	40,193	115,685	118,009

CHANGES IN NET POSITION

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues						
Charges for services	\$ 1,822	\$ 2,080	\$ 3,686	\$ 3,605	\$ 5,508	\$ 5,685
Operating grants and contributions	332	283		-	332	283
Capital grants and contributions	502	1,586	124	72	626	1,658
General revenues						
Property and other Taxes	14,829	14,259		-	14,829	14,259
Licenses and permits	4,902	4,856		-	4,902	4,856
Grants and contributions not restricted to specific programs	1,143	1,135		-	1,143	1,135
Investment income	305	344	4	4	309	348
Other	500	30	1	-	501	30
Total revenues	24,335	24,573	3,815	3,681	28,150	28,254
Expenses:						
General government	3,168	3,069	-	-	3,168	3,069
Public safety	12,315	10,915	-	-	12,315	10,915
Highways and streets	6,179	5,998	-	-	6,179	5,998
Health and welfare	151	132	-	-	151	132
Sanitation	1,460	1,283	-	-	1,460	1,283
Culture and recreation	1,951	1,827	-	-	1,951	1,827
Community development	476	521	-	-	476	521
Interest on long-term debt	88	120	-	-	88	120
Sewer operations	-	-	4,680	4,569	4,680	4,569
Total expenses	25,788	23,865	4,680	4,569	30,468	28,434
Change in net position before transfers and contributions	(1,453)	708	(865)	(888)	(2,318)	(180)
Loss on Disposal of assets	-	(277)	(6)	(1,009)	(6)	(1,286)
Increase in net position	(1,453)	431	(871)	(1,897)	(2,324)	(1,466)
Net position - beginning of year, as restated	77,816	77,385	40,193	42,090	118,009	119,475
Net position - end of year	\$ 76,363	\$ 77,816	\$ 39,322	\$ 40,193	\$ 115,685	\$ 118,009

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The largest portion of net position \$101,134,194 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 position \$2,400,614 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$12,149,832 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net position of (\$1,453,471). Key elements of this change are as follows:

Excess of revenues and transfers in over
expenditures and transfers out:

General fund operations	\$	(279,664)
Special revenue funds		(91,833)
Capital project fund		(107,673)
Permanent funds		<u>218,267</u>

Subtotal		(260,903)
----------	--	-----------

Depreciation in excess of debt service principal paydown		<u>(2,859,545)</u>
Capital assets acquired from current and prior year revenues, non-bonded		<u>1,825,498</u>
Other		<u>(158,521)</u>

Total	\$	<u><u>(1,453,471)</u></u>
-------	----	---------------------------

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(871,241). This change primarily results from depreciation expense recognized in excess of debt service payments raised in the rates charged to customers.

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.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,258,678; committed fund balance (non-sewer capital reserves) was \$2,445,720, while total fund balance was \$8,148,391. 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>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>
Unassigned fund balance	\$ 3,258,678	\$ 2,877,174	\$ 381,504
Committed fund balance (Capital Reserves)	2,445,720	3,350,255	(904,535)
Other fund balance	<u>2,443,993</u>	<u>2,200,626</u>	<u>243,367</u>
Total fund balance	<u>\$ 8,148,391</u>	<u>\$ 8,428,055</u>	<u>\$ (279,664)</u>
Unassigned fund balance as % of total general fund expenditures	12.4%	12.5%	-0.1%
Committed fund balance (Capital Reserves) as a % of total general fund expenditures	9.3%	14.5%	-5.2%
Total fund balance as % of general fund expenditures	31.0%	36.5%	-5.5%

The total fund balance of the general fund changed by \$(279,664) during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 51,314
Expenditures and transfers less than budget	402,819
Expenditures of prior year encumbrances	170,739
Other	<u>(904,536)</u>
Total	<u>\$ (279,664)</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 position of the Sewer Fund at the end of the year amounted to \$3,270,193, a change of \$(335,904) 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 \$778,959. The majority of the overall change represents Grants received for the police and fire departments, during the fiscal year.

Unspent General Fund appropriations were due to several factors including the self-imposed reduction in expenditures as well as staffing turnover. Below is a brief summary of the variances.

- Salaries were under budget by \$110,000.
- Overtime was over budget by \$43,000.
- Renewal Health insurance rates were lower than appropriations, resulting in a savings of over \$56,000.
- Compensated Absences were lower than expected saving the Town \$24,000.
- Maintenance on machinery and equipment was under budget projects by \$31,000.
- Salt and sand were less than appropriations by \$45,200.
- Road maintenance and repairs were less than budget by \$305,700.
- Solid Waste Disposal exceeded appropriations by \$41,000.
- Other Outside Services overspent by \$31,000.
- Athletic field maintenance was under appropriations by \$23,640.
- Outside details were under budget by \$152,500.
- Building improvements were lower than expected, saving the town \$47,500.
- Daycamp expenditures were more than budget by \$27,640.
- Interest income was under projections by over \$84,000.
- Sale of property exceeded estimates by \$180,000.
- Ambulance revenues were over projections by \$16,000.
- Building permits exceed budget by \$21,000.
- Vehicle registrations surpassed projections by over \$406,000.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$106,579,990 (net of accumulated depreciation), a change of \$(2,155,145) from the prior year. This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways and bridges.

Major capital asset events during the current fiscal year included a new fire truck and a loader for the Solid Waste Division.

Credit rating. The Town has not had a credit rating for many 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 debt outstanding for bonds and loans was \$5,074,687, 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 8 and 13 of this report.

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

The Town's financial position is strong. 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. The Town is seeing growth due to the Airport Access Road being completed in the north end of Town and the Outlet Mall being completed in the southern end of Town. In addition the Town's unemployment rate is down to 3.8% from the previous year of 4.7%, and it still compares favorably with the state and national averages of 4.3% and 5.1%, respectively. Furthermore, it appears that the Town will continue to see the 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 2014-15 budget has been adopted, and the 2014 property tax rate (Fiscal Year 2014) was set in October. Municipal appropriations, net of non-tax revenues, have increased by \$609,174 (3.93%) compared to 2013-14 net appropriations, and the municipal portion of the tax rate is estimated to be \$5.46 per thousand. The Town's portion of the tax increased by seventeen cents due to capital expenditures and general inflation.

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

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF MERRIMACK, NEW HAMPSHIRE
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 37,046,552	\$ 1,756,868	\$ 38,803,420
Investments	7,416,090	1,226,272	8,642,362
Taxes receivables (net)	5,243,976	-	5,243,976
Account receivables (net)	817,649	614,073	1,431,722
Intergovernmental receivable	-	221,327	221,327
Inventory	122,661	-	122,661
Prepaid items	28,341	-	28,341
Tax deeded property, subject to resale	58,761	-	58,761
Capital assets:			
Land and construction in progress	17,392,570	1,019,495	18,412,065
Other capital assets, net of depreciation	49,914,996	38,252,929	88,167,925
Total assets	<u>118,041,596</u>	<u>43,090,964</u>	<u>161,132,560</u>
LIABILITIES			
Accounts payable	801,247	62,040	863,287
Accrued salaries and benefits	887,662	109,707	997,369
Accrued interest payable	32,452	22,787	55,239
Intergovernmental payable	89,413	503,584	592,997
Long-term liabilities:			
Due within one year	407,000	670,473	1,077,473
Due in more than one year	3,960,398	2,217,949	6,178,347
Total liabilities	<u>6,178,172</u>	<u>3,586,540</u>	<u>9,764,712</u>
DEFERRED INFLOWS OF RESOURCES	<u>35,500,605</u>	<u>182,603</u>	<u>35,683,208</u>
NET POSITION			
Net investment in capital assets	65,082,566	36,051,628	101,134,194
Restricted for:			
Permanent funds:			
Nonexpendable (principal)	636,587	-	636,587
Expendable (interest)	1,574,971	-	1,574,971
Capital project fund	11,955	-	11,955
Library purposes	177,101	-	177,101
Unrestricted	8,879,639	3,270,193	12,149,832
Total net position	<u>\$ 76,362,819</u>	<u>\$ 39,321,821</u>	<u>\$ 115,684,640</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT B
TOWN OF MERRIMACK, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Change in Net Position		Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 3,167,952	\$ -	\$ -	\$ (3,137,391)	\$ -	\$ (3,137,391)
Public safety	12,314,739	1,091,870	-	(11,062,880)	-	(11,062,880)
Highways and streets	6,179,706	874	502,027	(5,523,925)	-	(5,523,925)
Sanitation	1,460,367	499,396	-	(960,971)	-	(960,971)
Health and welfare	151,087	-	-	(151,087)	-	(151,087)
Culture and recreation	1,950,797	858	-	(1,751,598)	-	(1,751,598)
Community development	475,475	17,690	-	(456,560)	-	(456,560)
Interest on long-term debt	88,434	-	-	(88,434)	-	(88,434)
Total governmental activities	<u>25,788,557</u>	<u>331,417</u>	<u>502,027</u>	<u>(23,132,846)</u>	<u>-</u>	<u>(23,132,846)</u>
Business-type activities:						
Sewer	4,680,461	124,277	-	-	(870,624)	(870,624)
Total	<u>\$ 30,469,018</u>	<u>\$ 455,694</u>	<u>\$ 502,027</u>	<u>(23,132,846)</u>	<u>(870,624)</u>	<u>(24,003,470)</u>
General revenues:						
Taxes:						
Property				14,316,313	-	14,316,313
Other				512,534	-	512,534
Motor vehicle permit fees				4,256,669	-	4,256,669
Licenses and other fees				645,151	-	645,151
Grants and contributions not restricted to specific programs				1,143,298	-	1,143,298
Unrestricted investment earnings				305,257	4,526	309,783
Miscellaneous				500,153	1,167	501,320
Special item:						
Loss on disposal of capital assets				-	(6,310)	(6,310)
Total general revenues and special items				<u>21,679,375</u>	<u>(617)</u>	<u>21,678,758</u>
Change in net position				<u>(1,453,471)</u>	<u>(871,241)</u>	<u>(2,324,712)</u>
Net position, beginning, as restated (see Note 17)				<u>77,816,290</u>	<u>40,193,062</u>	<u>118,009,352</u>
Net position, ending				<u>\$ 76,362,819</u>	<u>\$ 39,321,821</u>	<u>\$ 115,684,640</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-1
TOWN OF MERRIMACK, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 34,278,767	\$ 2,767,785	\$ 37,046,552
Investments	5,675,831	1,740,259	7,416,090
Accounts receivable	726,830	90,819	817,649
Taxes	5,243,976	-	5,243,976
Inventory	122,661	-	122,661
Prepaid items	28,341	-	28,341
Tax deeded property, subject to resale	58,761	-	58,761
Total assets	<u>\$ 46,135,167</u>	<u>\$ 4,598,863</u>	<u>\$ 50,734,030</u>
LIABILITIES			
Accounts payable	\$ 685,712	\$ 115,535	\$ 801,247
Accrued salaries and benefits	300,286	-	300,286
Due to other governments	89,413	-	89,413
Accrued compensated absences payable	587,376	-	587,376
Total liabilities	<u>1,662,787</u>	<u>115,535</u>	<u>1,778,322</u>
DEFERRED INFLOWS OF RESOURCES	<u>36,323,989</u>	<u>11,188</u>	<u>36,335,177</u>
FUND BALANCES			
Nonspendable	678,524	636,587	1,315,111
Restricted	650,000	3,117,077	3,767,077
Committed	2,445,720	-	2,445,720
Assigned	1,115,469	718,476	1,833,945
Unassigned	3,258,678	-	3,258,678
Total fund balances	<u>8,148,391</u>	<u>4,472,140</u>	<u>12,620,531</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 46,135,167</u>	<u>\$ 4,598,863</u>	<u>\$ 50,734,030</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF MERRIMACK, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2014

Total fund balances of governmental funds (Exhibit C-1)		\$ 12,620,531
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 123,972,200	
Less accumulated depreciation	<u>(56,664,634)</u>	
		67,307,566
Revenues that are reported under the accrual basis of accounting and are not deferred until collection.		834,572
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(32,452)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 2,225,000	
Compensated absences	1,008,333	
Other postemployment benefits	526,065	
Accrued landfill postclosure care costs	<u>608,000</u>	
		<u>(4,367,398)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 76,362,819</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-3
TOWN OF MERRIMACK, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 14,970,243	\$ -	\$ 14,970,243
Licenses and permits	4,658,816	243,004	4,901,820
Intergovernmental	1,816,169	-	1,816,169
Charges for services	1,733,468	88,799	1,822,267
Investment earnings	65,584	239,673	305,257
Miscellaneous	493,460	167,266	660,726
Total revenues	<u>23,737,740</u>	<u>738,742</u>	<u>24,476,482</u>
EXPENDITURES			
Current:			
General government	2,562,451	-	2,562,451
Public safety	11,628,964	93,090	11,722,054
Highways and streets	4,463,052	230,000	4,693,052
Sanitation	1,325,486	-	1,325,486
Health and welfare	150,120	-	150,120
Culture and recreation	1,523,711	346,567	1,870,278
Conservation	-	50,678	50,678
Community development	424,797	-	424,797
Debt service:			
Principal	370,000	-	370,000
Interest	102,026	-	102,026
Capital outlay	1,466,443	-	1,466,443
Total expenditures	<u>24,017,050</u>	<u>720,335</u>	<u>24,737,385</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(279,310)</u>	<u>18,407</u>	<u>(260,903)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	6,526	6,526
Transfers out	(354)	(6,172)	(6,526)
Total other financing sources (uses)	<u>(354)</u>	<u>354</u>	<u>-</u>
Net change in fund balances	(279,664)	18,761	(260,903)
Fund balances, beginning, as restated (see Note 17)	8,428,055	4,453,379	12,881,434
Fund balances, ending	<u>\$ 8,148,391</u>	<u>\$ 4,472,140</u>	<u>\$ 12,620,531</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-4
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 Fiscal Year Ended June 30, 2014

Net change in fund balances of governmental funds (Exhibit C-3)		\$ (260,903)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
	Capitalized capital outlay	\$ 1,825,498
	Less: disposal of capital asset	(270,645)
	Depreciation expense	<u>(2,758,367)</u>
		(1,203,514)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
	Transfers in	\$ (6,526)
	Transfers out	<u>6,526</u>
		-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
	Change in deferred tax revenue	(141,396)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
	Repayment of bond principal	370,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
	Decrease in accrued interest expense	\$ 13,592
	Increase in compensated absences payable	(81,544)
	Increase in postemployment benefits payable	(141,706)
	Increase in accrued landfill postclosure care costs	<u>(8,000)</u>
		(217,658)
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ (1,453,471)</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT D
TOWN OF MERRIMACK, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
Taxes	\$ 14,926,520	\$ 14,924,314	\$ 14,970,243	\$ 45,929
Licenses and permits	4,203,100	4,201,750	4,658,816	457,066
Intergovernmental	1,822,983	1,841,163	1,816,169	(24,994)
Charges for services	1,909,314	1,919,334	1,733,468	(185,866)
Investment earnings	117,131	120,631	36,613	(84,018)
Miscellaneous	64,179	650,264	493,461	(156,803)
Total revenues	23,043,227	23,657,456	23,708,770	51,314
EXPENDITURES				
Current:				
General government	2,937,327	2,566,258	2,656,040	(89,782)
Public safety	12,063,930	11,923,727	11,845,678	78,049
Highways and streets	3,152,859	4,193,252	4,374,830	(181,578)
Sanitation	1,170,051	1,235,051	1,317,178	(82,127)
Health and welfare	165,079	166,987	150,120	16,867
Culture and recreation	1,450,522	1,555,992	1,493,880	62,112
Conservation	3,200	-	-	-
Economic development	-	684,726	411,594	273,132
Debt service:				
Principal	370,000	370,000	370,000	-
Interest	102,027	102,027	102,026	1
Total expenditures	21,414,995	22,798,021	22,721,346	76,675
Excess of revenues over expenditures	1,628,232	859,435	987,424	127,989
OTHER FINANCING SOURCES (USES)				
Transfers in	1,339,500	1,320,865	2,027,371	706,506
Transfers out	(2,967,732)	(2,180,300)	(2,560,662)	(380,362)
Total other financing sources (uses)	(1,628,232)	(859,435)	(533,291)	326,144
Net change in fund balances	\$ -	\$ -	454,133	\$ 454,133
Increase in nonspendable fund balance			(72,629)	
Unassigned fund balance, beginning			2,877,174	
Unassigned fund balance, ending			\$ 3,258,678	

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-1
TOWN OF MERRIMACK, NEW HAMPSHIRE
Proprietary Fund
Statement of Fiduciary Net Position
June 30, 2014

	Business-type Activities
	Enterprise Fund (Sewer Department)
ASSETS	
Cash and cash equivalents	\$ 1,756,868
Investments	1,226,272
Receivables, net of allowance for uncollectible	614,073
Due from other governments	221,327
Capital assets, not being depreciated:	
Land	238,770
Construction in progress	780,725
Capital assets, net of accumulated depreciation:	
Buildings and systems	37,196,694
Improvements other than buildings	11,840
Machinery, equipment, and furnishings	1,044,395
Total assets	<u>43,090,964</u>
LIABILITIES	
Current liabilities:	
Accounts payable	62,040
Accrued salaries and benefits	109,707
Accrued interest payable	22,787
Deferred revenue	
Notes payable	503,584
Noncurrent liabilities:	
Due within one year:	
Bonds	670,473
Due in more than one year:	
Bonds	2,179,214
Compensated absences	38,735
Total liabilities	<u>3,586,540</u>
DEFERRED INFLOWS OF RESOURCES	<u>182,603</u>
NET POSITION	
Net investment in capital assets	36,051,628
Unrestricted	3,270,193
Total net position	<u>\$ 39,321,821</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-2
TOWN OF MERRIMACK, NEW HAMPSHIRE
Proprietary Fund
Statement of Revenues, Expenses, and Change in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2014

	Business-type Activities Enterprise Fund (Sewer Department)
Operating revenues:	
User charges	\$ 3,685,560
Miscellaneous	1,167
Total operating revenues	<u>3,686,727</u>
Operating expenses:	
Salaries and wages	1,808,214
Operation and maintenance	1,410,256
Depreciation	1,395,618
Total operating expenses	<u>4,614,088</u>
Operating loss	<u>(927,361)</u>
Nonoperating revenue:	
Intergovernmental grants	124,277
Interest income	4,526
Interest expense	(66,373)
Total nonoperating revenues	<u>62,430</u>
Special item:	
Loss on disposal of capital asset	<u>(6,310)</u>
Change in net position	(871,241)
Net position, beginning	40,193,062
Net position, ending	<u>\$ 39,321,821</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-3
TOWN OF MERRIMACK, NEW HAMPSHIRE
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

Cash flows from operating activities:	
Receipts from customers and users	\$ 3,765,314
Payments to employees and suppliers	(2,866,936)
Net cash provided by operating activities	<u>898,378</u>
Cash flows from capital and related financing activities:	
Principal paid on bonds	(654,928)
Acquisition and construction of fixed assets	(450,297)
Interest paid	(66,373)
Intergovernmental reimbursements	124,277
Net cash used by capital and related financing activities	<u>(1,047,321)</u>
Cash flows from investing activities:	
Sale of investments	286,703
Interest received	4,526
Net cash provided by investing activities	<u>291,229</u>
Net increase in cash	142,286
Cash, beginning	1,614,582
Cash, ending	<u><u>\$ 1,756,868</u></u>

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

Operating loss	<u>\$ (927,361)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	1,395,618
Decrease in other receivables	126,958
Increase in intergovernmental receivables	(221,327)
Decrease in accounts payable	(2,375)
Decrease in accrued salaries and benefits	(2,785)
Increase in notes payable	371,109
Decrease in accrued interest payable	(14,415)
Increase in deferred inflows of resources	172,956
Total adjustments	<u>1,825,739</u>
Net cash provided by operating activities	<u><u>\$ 898,378</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT F-1
TOWN OF MERRIMACK, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2014

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 9,661	\$ 410,910
Investments	161,966	7,331,350
Total assets	171,627	7,742,260
LIABILITIES		
Due to other governmental units	-	7,742,260
NET POSITION		
Held in trust for specific purposes	\$ 171,627	\$ -

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT F-2
TOWN OF MERRIMACK, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
ADDITIONS	
New funds	\$ 10,000
Interest	21,856
Total revenue	<u>31,856</u>
DEDUCTIONS	
Trust distributions	<u>9,363</u>
Change in net position	22,493
Net position, beginning	149,134
Net position, ending	<u><u>\$ 171,627</u></u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

	<u>NOTE</u>
Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Government-wide and Fund Financial Statements	1-B
Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....	1-C
Cash and Cash Equivalents.....	1-D
Statement of Cash Flows	1-E
Restricted Assets.....	1-F
Investments.....	1-G
Receivables.....	1-H
Interfund Balances	1-I
Inventory.....	1-J
Prepaid Items	1-K
Capital Assets	1-L
Deferred Inflows of Resources	1-M
Property Taxes.....	1-N
Compensated Absences	1-O
Long-Term Obligations	1-P
Claims and Judgments.....	1-Q
Interfund Transfers	1-R
Net Position/Fund Balance Reporting	1-S
Stewardship, Compliance, and Accountability	2
Budgetary Information.....	2-A
Budgetary Reconciliation to GAAP Basis	2-B

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Investments	4
Taxes Receivable	5
Other Receivables.....	6
Prepaid Items.....	7
Capital Assets.....	8
Interfund Transfers.....	9
Accrued Liabilities	10
Intergovernmental Payables.....	11
Deferred Inflows of Resources	12
Long-Term Liabilities	13
Encumbrances	14
Governmental Activities Net Position.....	15
Governmental Fund Balances	16
Prior Period Adjustments.....	17
Employee Retirement Plan	18

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

Other Postemployment Benefits (OPEB)	19
Risk Management.....	20
Contingencies.....	21
Implementation of New GASB Pronouncements.....	22
Subsequent Events.....	23

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Merrimack, New Hampshire (the Town), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Merrimack is a municipal corporation governed by an elected seven member Town Council and Town Manager. The reporting entity is comprised of the primary government and any other organizations (*component units*) that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

1-B Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) 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 Net Position presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, deferred inflow of resources, and net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when 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.

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 revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

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. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies, and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the 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 year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specific 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.

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 could differ from those estimates.

The Town reports the following major governmental fund:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The Town reports the following major proprietary fund:

Sewer Fund – accounts for the operation of the sewer treatment plant, pumping station, and sewer lines.

Additionally, the Town reports the following fund types:

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

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

Permanent Fund - is used to record activity of legal trusts for which the interest on the corpus provides funds for the Town's cemetery operations.

Agency Fund - used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments.

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

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

1-D Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Statement of Cash Flows

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

1-F Restricted Assets

Certain cash and investments are classified as restricted assets on the balance sheet because their use is legally restricted for specified purposes through laws and/or enabling legislation.

1-G Investments

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

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

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

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

Investments for the Town are reported at fair value generally based on quoted market prices.

1-H Receivables

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

1-I Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term Interfund loans are reported as "Interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

1-J Inventory

The inventories of the Town are valued at cost using the first-in/first-out (FIFO) method. The inventories of the Town's general fund consist of materials and supplies held for subsequent use. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

1-K Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and expenses as the items are used.

1-L Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. All infrastructure has not been capitalized as the Town has not determined the historical cost for the initial reporting of these assets and does not maintain adequate records to capture annual capital outlay for infrastructure.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes:	<u>Years</u>
Buildings and systems	20-45
Improvements of than buildings	7-50
Infrastructure	50
Machinery, equipment, and furnishings	6-20

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

1-M Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. The amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

1-N Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were on November 6, 2013 and May 8, 2014. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Merrimack School District, Fire Protection Area Village District, and Hillsborough County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2014 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 2,834,535,110
For all other taxes	\$ 2,929,837,310

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

The tax rates and amounts assessed for the year ended June 30, 2014 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$5.29	\$ 15,484,648
School portion:		
State of New Hampshire	\$2.35	6,652,637
Local	\$15.09	44,221,972
County portion	\$1.18	3,469,193
Total		<u>\$ 69,828,450</u>

1-O Compensated Absences

The Town's policy allows certain employees to earn varying amounts of earned but unused sick and vacation pay benefits based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The current portion of the liability for such leave is reported as incurred in the fund statements and the proprietary fund and the noncurrent portion in the government-wide and proprietary fund financial statements.

1-P Long-Term Obligations

In the government-wide and business-type activities 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 Statement of Fund Net Position.

1-Q Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

1-R Interfund Transfers

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-S Net Position/Fund Balance Reporting

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

- a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b) *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

- c) *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Classifications - The fund balance of governmental funds is reported in five categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town’s governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council through the budgetary process.

Unassigned – This classification includes the residual fund balance for the general fund.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town’s operations. At its annual meeting, the Town adopts a budget for the current year for the general and sewer funds. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2014, none of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 25,736,141
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	28,970
To eliminate transfers between blended funds	(2,027,371)
Per Exhibit C-3 (GAAP basis)	<u>\$ 23,737,740</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 25,282,008
Adjustment:	
Basis differences:	
Encumbrances, beginning	944,730
Encumbrances, ending	(1,115,469)
GASB Statement No. 54:	
To record expendable trust expenditures during the year	1,466,443
To eliminate transfers between general and expendable trust funds	(2,560,308)
Per Exhibit C-3 (GAAP basis)	<u>\$ 24,017,404</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$39,223,991 and the bank balances totaled \$39,469,652.

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. As of June 30, 2014, none of the government's bank balance was exposed to custodial credit.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 38,803,420
Cash per Statement of Fiduciary Net Position (Exhibit F-1)	420,571
Total cash and cash equivalents	<u>\$ 39,223,991</u>

Interest Rate Risk – The term repurchase agreements are also subject to interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the value of the Town's investments.

NOTE 4 – INVESTMENTS

Note 1-G describes statutory requirements covering the investment of the Town funds. The Town also maintains a portfolio of intermediate maturity investments that are reported at fair value, based on quoted market prices. The Town's fiscal agent or custodian provides the fair value of all intermediate maturity investments.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

At June 30, 2014, this Town had the following investments and maturities:

	<u>Fair Value</u>
Investments type:	
New Hampshire Public Deposit Investment Pool	\$ 387,602
Certificates of deposit	2,609,859
Mutual funds	881,095
Fixed income	7,901,816
Equities	4,355,306
Total fair value	<u>\$ 16,135,678</u>

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

Credit Risk – Credit risk is the risk that the issuer of an investment will not fulfill their obligation to the holder of their investment. Prudent person rule where investments are made as a prudent person would be expected to act is provided by State law as guidance, with efforts to seek reasonable income, preserve the capital, and in general avoid speculative investments. At this time the Town of Merrimack does not have a credit risk policy.

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g. broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 8,642,362
Investments per Statement of Fiduciary Net Position (Exhibit F-1)	7,493,316
Total investments	<u>\$ 16,135,678</u>

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2014, taxes receivable by year are as follows:

Property:	
Levy of 2013	\$ 4,337,719
Unredeemed (under tax lien):	
Levy of 2012	606,258
Levy of 2011	257,249
Levies of 2010 and prior	264,720
Welfare liens receivable	123,736
Yield	650
Less: allowance for estimated uncollectible taxes	(346,356)
Net taxes receivable	<u>\$ 5,243,976</u>

NOTE 6 – OTHER RECEIVABLES

Receivables at June 30, 2014, consisted of accounts (billings for police details, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

Receivables as of June 30, 2014 for the Town's individual major fund and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Funds	Total
Receivables:			
Accounts	\$ 992,483	\$ 90,819	\$ 1,083,302
Less: allowance for uncollectibles	(265,653)	-	(265,653)
Net total receivables	<u>\$ 726,830</u>	<u>\$ 90,819</u>	<u>\$ 817,649</u>

NOTE 7 – PREPAID ITEMS

Prepaid items in the general fund at June 30, 2014 in the amount \$28,341 consists of prepayments for insurance, tuition, training sessions, and parks and recreation expenditures.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 consisted of the following:

	Balance, beginning	Additions	Disposals	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 16,865,118	\$ -	\$ -	\$ 16,865,118
Construction in progress	301,886	326,919	(101,353)	527,452
Total capital assets not being depreciated	<u>17,167,004</u>	<u>326,919</u>	<u>(101,353)</u>	<u>17,392,570</u>
Being depreciated:				
Improvements other than buildings	1,793,406	-	-	1,793,406
Buildings and building improvements	8,661,620	24,050	(52,380)	8,633,290
Equipment	11,117,702	1,441,154	(487,438)	12,071,418
Infrastructure	84,078,141	33,375	(30,000)	84,081,516
Total capital assets being depreciated	<u>105,650,869</u>	<u>1,498,579</u>	<u>(569,818)</u>	<u>106,579,630</u>
Total all capital assets	<u>122,817,873</u>	<u>1,825,498</u>	<u>(671,171)</u>	<u>123,972,200</u>
Less accumulated depreciation:				
Improvements other than buildings	(932,767)	(55,646)	-	(988,413)
Buildings and building improvements	(3,709,390)	(198,246)	27,383	(3,880,253)
Machinery, equipment, and furnishings	(8,141,094)	(836,815)	373,143	(8,604,766)
Infrastructure	(41,523,542)	(1,667,660)	-	(43,191,202)
Total accumulated depreciation	<u>(54,306,793)</u>	<u>(2,758,367)</u>	<u>400,526</u>	<u>(56,664,634)</u>
Net book value, capital assets being depreciated	<u>51,344,076</u>	<u>(1,259,788)</u>	<u>(169,292)</u>	<u>49,914,996</u>
Net book value, all governmental activities capital assets	<u>\$ 68,511,080</u>	<u>\$ (932,869)</u>	<u>\$ (270,645)</u>	<u>\$ 67,307,566</u>

(Continued)

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

Capital assets continued:

	Balance, beginning	Additions	Disposals	Balance, ending
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 238,770	\$ -	\$ -	\$ 238,770
Construction in progress	409,616	371,109	-	780,725
Total capital assets not being depreciated	<u>648,386</u>	<u>371,109</u>	<u>-</u>	<u>1,019,495</u>
Being depreciated:				
Buildings and systems	60,602,219	-	-	60,602,219
Improvements other than buildings	412,390	-	-	412,390
Machinery, equipment, and furnishings	5,804,258	79,188	(25,240)	5,858,206
Total capital assets being depreciated	<u>66,818,867</u>	<u>79,188</u>	<u>(25,240)</u>	<u>66,872,815</u>
Total all capital assets	<u>67,467,253</u>	<u>450,297</u>	<u>(25,240)</u>	<u>67,892,310</u>
Less accumulated depreciation:				
Buildings and systems	(22,331,599)	(1,073,926)	-	(23,405,525)
Improvements other than buildings	(398,577)	(1,973)	-	(400,550)
Machinery, equipment, and furnishings	(4,513,022)	(319,719)	18,930	(4,813,811)
Total accumulated depreciation	<u>(27,243,198)</u>	<u>(1,395,618)</u>	<u>18,930</u>	<u>(28,619,886)</u>
Net book value, capital assets being depreciated	<u>39,575,669</u>	<u>(1,316,430)</u>	<u>(6,310)</u>	<u>38,252,929</u>
Net book value, all business-type activities capital assets	<u>\$ 40,224,055</u>	<u>\$ (945,321)</u>	<u>\$ (6,310)</u>	<u>\$ 39,272,424</u>

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

Governmental activities:	
General government	\$ 172,147
Public safety	458,169
Highways and streets	1,948,357
Sanitation	125,358
Culture and recreation	54,336
Total depreciation expense	<u>\$ 2,758,367</u>

Depreciation expenses of \$1,395,618 in the business-type activities are charged against the sanitation function.

NOTE 9 – INTERFUND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2014 is as follows:

	Transfers
	In:
	Nonmajor
	Funds
Transfers out:	
General fund	\$ 354
Nonmajor fund	6,172
Total	<u>\$ 6,526</u>

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

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

NOTE 10 - ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2014 of \$300,286 represent accrued employee salaries and benefits.

NOTE 11 - INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$89,413 reported in the General fund at June 30, 2014 consist of \$79,413 due to the New Hampshire Retirement System and \$10,000 due to the Merrimack School District. The Sewer Department intergovernmental payable at June 30, 2014 consists of \$503,584 due to the State of New Hampshire; see Note 13 under Bonds/Notes Authorized and Unissued for further information on this intergovernmental payable. The Agency Funds report intergovernmental payables at June 30, 2014 of \$7,742,260 of which \$766,086 is due to Merrimack Village District and the remaining \$6,976,174 is due to the Merrimack School District for their balances in expendable and permanent trust funds.

NOTE 12 - DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	Entity-wide Basis		Fund Basis		
			Governmental Funds		Proprietary
	Governmental	Business-type	General	Other	Fund
	Activities	Activities		Governmental	Sewer
Unearned revenues	\$ 1,393,959	\$ 182,603	\$ 1,382,771	\$ 11,188	\$ 182,603
Taxes collected in advance	34,106,646	-	34,941,218	-	-
Total deferred inflows of resources	\$ 35,500,605	\$ 182,603	\$ 36,323,989	\$ 11,188	\$ 182,603

NOTE 13 - LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
Governmental activities:				
General obligation bonds payable	\$ 2,595,000	\$ -	\$ (370,000)	\$ 2,225,000
Compensated absences	1,543,718	51,991	-	1,595,709
Accrued landfill postclosure care costs	600,000	30,000	(22,000)	608,000
Net other postemployment benefits	384,359	141,706	-	526,065
Total long-term liabilities	<u>\$ 5,123,077</u>	<u>\$ 223,697</u>	<u>\$ (392,000)</u>	<u>\$ 4,954,774</u>
Business-type activities:				
General obligation bonds payable	\$ 3,504,615	\$ -	\$ (654,928)	\$ 2,849,687
Compensated absences	151,227	-	(2,785)	148,442
Total long-term liabilities	<u>\$ 3,655,842</u>	<u>\$ -</u>	<u>\$ (657,713)</u>	<u>\$ 2,998,129</u>

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

Long-term liabilities are comprised of the following:

	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2014	Current Portion
Governmental activities:					
General obligation bonds payable:					
Green's Pond land	2002	2018	3.0 - 4.5	\$ 1,080,000	\$ 270,000
Drainage improvement	2007	2023	4.0 - 4.75	1,145,000	105,000
				<u>2,225,000</u>	<u>375,000</u>
Compensated absences payable				1,595,709	587,377
Accrued landfill postclosure care costs payable				608,000	32,000
Other postemployment benefits				526,065	-
Total				<u>\$ 4,954,774</u>	<u>\$ 994,377</u>
Business-type activities:					
General obligation bonds payable:					
Organic waste composting facility	1996	2015	4.63%	\$ 351,182	\$ 351,182
Interceptor repair	2012	2019	1.94%	390,758	55,823
Dewatering upgrade	2013	2022	1.70%	2,107,747	263,468
				<u>2,849,687</u>	<u>670,473</u>
Compensated absences payable				148,442	109,707
Total				<u>\$ 2,998,129</u>	<u>\$ 780,180</u>

The annual requirements to amortize all *governmental activities* general obligation bonds outstanding as of June 30, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 375,000	\$ 45,501	\$ 420,501
2015	380,000	37,465	417,465
2016	385,000	28,775	413,775
2017	390,000	19,825	409,825
2018	125,000	16,825	141,825
2019-2023	570,000	34,957	604,957
Totals	<u>\$ 2,225,000</u>	<u>\$ 183,348</u>	<u>\$ 2,408,348</u>

The annual requirements to amortize all *business-type activities* general obligations bonds outstanding as of June 30, 2014, including interest payments, are as follow:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 670,473	\$ 59,709	\$ 730,182
2015	319,291	37,850	357,141
2016	319,291	32,289	351,580
2017	319,291	26,727	346,018
2018	319,292	21,165	340,457
2019-2022	902,049	30,122	932,171
Totals	<u>\$ 2,849,687</u>	<u>\$ 207,862</u>	<u>\$ 3,057,549</u>

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

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

Accrued Landfill Postclosure Care Costs – The Town ceased operating its landfill in 2003. Federal and State 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 after closure. A liability is being recognized based on the future postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill postclosure care costs has a balance of \$608,000 as of June 30, 2014. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

The Town expects to finance the postclosure care costs through annual taxation.

Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of June 30, 2014 were as follows:

<u>Original Loan Agreement</u>	<u>Purpose</u>	<u>Unissued Amount</u>
August 8, 2012	Water Pollution Control Revolving Loan Fund Program	<u>\$ 6,571,416</u>

The Town of Merrimack entered an agreement with the State of New Hampshire on August 8, 2012 as recipient of a Water Pollution Control Revolving Loan Fund Program, with a principal sum of \$7,075,000 or such lesser amount as shall equal the aggregate of disbursements made hereunder by the State of New Hampshire to the Town of Merrimack. As of June 30, 2014 the Town has drawn down of \$503,584, which is reported in the business-type funds as an intergovernmental liability.

NOTE 14 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2014 are as follows:

General fund:	
General government	\$ 122,329
Public safety	296,685
Highways and streets	623,484
Culture and recreation	72,971
Total encumbrances	<u>\$ 1,115,469</u>

NOTE 15 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2014 include the following:

	<u>Governmental Activities</u>
Net investment in capital assets:	
Net property, buildings, and equipment	\$ 67,307,566
Less:	
General obligation bonds payable	(2,225,000)
Total net investment in capital assets	<u>65,082,566</u>
Restricted net position:	
Permanent funds:	
Nonspendable (principal)	636,587
Expendable (interest)	1,574,971
Capital project fund	11,955
Library purposes	177,101
Total restricted	<u>2,400,614</u>
Unrestricted	<u>8,879,639</u>
Total net position	<u>\$ 76,362,819</u>

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

NOTE 16 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2014 include the following:

	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Inventory	\$ 122,661	\$ -	\$ 122,661
Long-term receivable	555,863	-	555,863
Nonexpendable portion permanent funds	-	636,587	636,587
Total nonspendable	<u>678,524</u>	<u>636,587</u>	<u>1,315,111</u>
Restricted:			
Capital projects	650,000	11,955	661,955
Library fines	-	177,101	177,101
Heritage commission	-	25,701	25,701
Conservation	-	40,699	40,699
Current use	-	1,286,650	1,286,650
Expendable portion permanent funds	-	1,574,971	1,574,971
Total restricted	<u>650,000</u>	<u>3,117,077</u>	<u>3,767,077</u>
Committed:			
Capital reserve funds	<u>2,445,720</u>	<u>-</u>	<u>2,445,720</u>
Assigned:			
Encumbrances	1,115,469	-	1,115,469
Fire protection	-	54,224	54,224
Cable television	-	664,252	664,252
Total assigned	<u>1,115,469</u>	<u>718,476</u>	<u>1,833,945</u>
Unassigned	<u>3,258,678</u>	<u>-</u>	<u>3,258,678</u>
Total fund balance	<u>\$ 8,148,391</u>	<u>\$ 4,472,140</u>	<u>\$ 12,620,531</u>

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at July 1, 2013 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	Other Governmental Funds
To record bank balances omitted in prior year in the library fines nonmajor fund	\$ 29,949	\$ 29,949
Net position/fund balance, as previously reported	77,786,341	4,423,430
Net position/fund balance, as restated	<u>\$ 77,816,290</u>	<u>\$ 4,453,379</u>

NOTE 18 – EMPLOYEE RETIREMENT PLAN

The Town participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing 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. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. For fiscal year 2014, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town's contribution rates for 2014 for pension and medical subsidy were as follows:

Period	Police	Fire	All Other Employees
July 1, 2013 thru June 30, 2014	25.30%	27.74%	10.77%

The contribution requirements for the Town of Merrimack for the fiscal years 2013 and 2014 were \$1,645,107, and \$2,062,258, respectively, which were paid in full in each year.

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in preceding note, the Town provides postemployment benefit options for health care, life insurance, dental insurance, and disability income to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the Town's agreements, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The Town funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the Town subsidizing the remaining costs. There are 1,127 participants currently eligible. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, was implemented by the Town during fiscal year 2014, and requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate 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 normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2014:

Annual required contribution/OPEB cost	\$ 111,310
Interest Net OPEB Obligation	19,218
Adjustment to Annual Required Contribution	11,178
Increase in net OPEB obligation	141,706
Net OPEB obligation, beginning	384,359
Net OPEB obligation, ending	<u>\$ 526,065</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the five preceding years was as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2014	\$ 141,706	\$ -	0.00%	\$ 526,065
June 30, 2013	\$ 128,297	\$ -	0.00%	\$ 384,359
June 30, 2012	\$ 59,993	\$ -	0.00%	\$ 256,062
June 30, 2011	\$ 59,993	\$ -	0.00%	\$ 196,069
June 30, 2010	\$ 68,038	\$ -	0.00%	\$ 136,076
June 30, 2009	\$ 68,038	\$ -	0.00%	\$ 68,038

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

As of July 1, 2012, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$1,530,251, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,530,251.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Other Postemployment Benefits Plan, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of 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, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5% investment rate of return per annum. The projected annual healthcare cost trend is 9% initially, reduced by decrements to an ultimate rate of 5% by 2018. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at July 1, 2012 was 29 years.

NOTE 20 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The Town of Merrimack realized no significant reductions in insurance coverage from the previous year and further no material settlements in excess of provider coverage has occurred in the previous three fiscal years.

NOTE 21 – CONTINGENCIES

There are various legal claims and suits pending against the Town which arose in the normal course of the governments activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 22 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The following GASB pronouncements were implemented by the Town for the fiscal year ended June 30, 2014. Only GASB Statement No. 65 impacted these financial statements:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendments of GASB Statements No. 14 and No. 34*, issued November 2010. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012. This Statement is intended to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, issued March 2012. This Statement is intended to resolve conflicting accounting and financial report and guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statements No. 10, 13, and 48.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued in January 2013, will be effective for the Town beginning with its fiscal year ending June 30, 2014. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations that have been transferred or sold.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued in April 2013, will be effective for the Town beginning with the fiscal year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

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

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued in June 2012, will be effective for the Town beginning with its fiscal year ending June 30, 2015. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. They replace the requirements of Statements No. 27 and 50.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued in June 2012, will be effective for the Town beginning with its fiscal year ending June 30, 2015. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, issued in November 2013, will be effective for the Town beginning with its fiscal year ending June 30, 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*, and is required to be applied simultaneously with the provisions of that Statement.

NOTE 23 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through February 13, 2015, the date the June 30, 2014 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G
TOWN OF MERRIMACK, NEW HAMPSHIRE
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
July 1, 2008	\$ -	\$ 1,081,415	\$ 1,081,415	0.00%	N/A	0.00%
July 1, 2010	\$ -	\$ 1,076,514	\$ 1,076,514	0.00%	N/A	0.00%
July 1, 2012	\$ -	\$ 1,530,251	\$ 1,530,251	0.00%	N/A	0.00%

The note to the required supplementary information is an integral part of this schedule.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, Exhibit G represents the actuarial determined costs associated with the Town's other postemployment benefits for the fiscal year ended June 30, 2014, and two preceding years.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF MERRIMACK, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 14,451,214	\$ 14,457,709	\$ 6,495
Land use change	105,000	117,084	12,084
Yield	2,375	9,392	7,017
Other taxes	68,000	68,000	-
Excavation	6,500	330	(6,170)
Payment in lieu of taxes	6,625	3,206	(3,419)
Interest and penalties on taxes	284,600	314,522	29,922
Total from taxes	14,924,314	14,970,243	45,929
Licenses, permits, and fees:			
Motor vehicle permit fees	3,850,000	4,256,669	406,669
Building permits	100,000	121,483	21,483
Other	251,750	280,664	28,914
Total from licenses, permits, and fees	4,201,750	4,658,816	457,066
Intergovernmental:			
State:			
Meals and rooms distribution	1,135,678	1,133,758	(1,920)
Highway block grant	500,216	502,027	1,811
Other	55,235	63,010	7,775
Federal:			
Other	150,034	117,374	(32,660)
Total from intergovernmental	1,841,163	1,816,169	(24,994)
Charges for services:			
Income from departments	1,919,334	1,733,468	(185,866)
Miscellaneous:			
Interest on investments	120,631	36,613	(84,018)
Sale of municipal property	5,000	185,070	180,070
Rent of property	4,000	4,001	1
Fines and forfeits	85	-	(85)
Insurance dividends and reimbursements	75,000	88,270	13,270
Contributions and donations	129,579	100,807	(28,772)
Other	436,600	115,313	(321,287)
Total from miscellaneous	770,895	530,074	(240,821)
Other financing sources:			
Transfers in	1,320,865	2,027,371	706,506
Total revenues and other financing sources	\$ 24,978,321	\$ 25,736,141	\$ 757,820

SCHEDULE 2
TOWN OF MERRIMACK, NEW HAMPSHIRE
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Election and registration	\$ -	\$ 20,590	\$ 7,731	\$ -	\$ 12,859
Revaluation of property	-	296,882	298,200	-	(1,318)
General government buildings	-	237,902	205,830	-	32,072
Other	28,740	2,010,884	2,050,690	122,329	(133,395)
Total general government	28,740	2,566,258	2,562,451	122,329	(89,782)
Public safety:					
Police	79,971	5,953,077	5,720,769	61,696	250,583
Fire	-	4,993,970	4,949,238	234,989	(190,257)
Building inspection	-	331,063	318,589	-	12,474
Dispatching	-	645,617	640,368	-	5,249
Total public safety	79,971	11,923,727	11,628,964	296,685	78,049
Highways and streets:					
Public works garage	-	366,373	358,535	-	7,838
Highways and streets	711,706	3,397,861	3,699,109	623,484	(213,026)
Other	-	429,018	405,408	-	23,610
Total highways and streets	711,706	4,193,252	4,463,052	623,484	(181,578)
Sanitation:					
Solid waste disposal	8,308	1,235,051	1,325,486	-	(82,127)
Health and welfare:					
Administration	-	77,300	77,300	-	-
Direct assistance	-	89,687	72,820	-	16,867
Total health and welfare	-	166,987	150,120	-	16,867
Culture and recreation:					
Parks and recreation	102,802	567,533	455,474	59,459	155,402
Library	-	962,459	1,044,440	13,512	(95,493)
Patriotic purposes	-	26,000	23,797	-	2,203
Total culture and recreation	102,802	1,555,992	1,523,711	72,971	62,112
Community development	13,203	684,726	424,797	-	273,132
Debt service:					
Principal of long-term debt	-	370,000	370,000	-	-
Interest on long-term debt	-	102,026	102,026	-	-
Interest on tax anticipation notes	-	1	-	-	1
Total debt service	-	472,027	472,026	-	1
Other financing uses:					
Transfers out	-	2,180,300	2,560,662	-	(380,362)
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 944,730	\$ 24,978,321	\$ 25,111,269	\$ 1,115,469	\$ (303,687)

SCHEDULE 3
TOWN OF MERRIMACK, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

Unassigned fund balance, beginning		\$ 2,877,174
Changes:		
2014 Budget summary:		
Revenue surplus (Schedule 1)	\$ 757,820	
Overexpenditure of appropriations (Schedule 2)	<u>(303,687)</u>	
2014 Budget surplus		454,133
Increase in nonspendable fund balance		<u>(72,629)</u>
Unassigned fund balance, ending		<u><u>\$ 3,258,678</u></u>

SCHEDULE 4
TOWN OF MERRIMACK, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014

	Special Revenue Funds					Capital			
	Cable Television	Library Fines	Fire Protection	Heritage	Conservation Commission	Current Use	Project Fund	Permanent Fund	Total
ASSETS									
Cash and cash equivalents	\$ 583,899	\$ 167,855	\$ 54,224	\$ 26,959	\$ 40,699	\$ 1,286,650	\$ 126,954	\$ 480,545	\$ 2,767,785
Investments	-	9,246	-	-	-	-	-	1,731,013	1,740,259
Receivables, net of allowance for uncollectable:									
Accounts	90,819	-	-	-	-	-	-	-	90,819
Total assets	\$ 674,718	\$ 177,101	\$ 54,224	\$ 26,959	\$ 40,699	\$ 1,286,650	\$ 126,954	\$ 2,211,558	\$ 4,598,863
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 466	\$ -	\$ -	\$ 70	\$ -	\$ -	\$ 114,999	\$ -	\$ 115,535
Deferred inflows of resources	10,000	-	-	1,188	-	-	-	-	11,188
Fund balances:									
Nonspendable	-	-	-	-	-	-	-	636,587	636,587
Restricted	-	177,101	-	25,701	40,699	1,286,650	11,955	1,574,971	3,117,077
Assigned	664,252	-	54,224	-	-	-	-	-	718,476
Total fund balances	664,252	177,101	54,224	25,701	40,699	1,286,650	11,955	2,211,558	4,472,140
Total liabilities, deferred inflows of resources, and fund balances	\$ 674,718	\$ 177,101	\$ 54,224	\$ 26,959	\$ 40,699	\$ 1,286,650	\$ 126,954	\$ 2,211,558	\$ 4,598,863

SCHEDULE 5
TOWN OF MERRIMACK, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds					Capital			
	Cable Television	Library Fines	Fire Protection	Heritage	Conservation Commission	Current Use	Project Fund	Permanent Fund	Total
Revenues:									
Licenses and permits	\$ 243,004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 243,004
Charges for services	74	-	88,725	-	-	-	-	-	88,799
Investment earnings	750	1,259	80	31	54	1,534	447	235,518	239,673
Miscellaneous	-	43,919	-	123	-	1,344	121,880	-	167,266
Total revenues	243,828	45,178	88,805	154	54	2,878	122,327	235,518	738,742
Expenditures:									
Current:									
Public safety	-	-	82,011	-	-	-	-	11,079	93,090
Highways and streets	-	-	-	-	-	-	230,000	-	230,000
Culture and recreation	288,803	57,435	-	329	-	-	-	-	346,567
Conservation	-	-	-	-	11,059	39,619	-	-	50,678
Total expenditures	288,803	57,435	82,011	329	11,059	39,619	230,000	11,079	720,335
Excess (deficiency) of revenues over (under) expenditures	(44,975)	(12,257)	6,794	(175)	(11,005)	(36,741)	(107,673)	224,439	18,407
Other financing sources (uses):									
Transfers in	-	6,172	-	354	-	-	-	-	6,526
Transfers out	-	-	-	-	-	-	-	(6,172)	(6,172)
Total other financing sources (uses)	-	6,172	-	354	-	-	-	(6,172)	354
Net change in fund balances	(44,975)	(6,085)	6,794	179	(11,005)	(36,741)	(107,673)	218,267	18,761
Fund balances, beginning	709,227	183,186	47,430	25,522	51,704	1,323,391	119,628	1,993,291	4,453,379
Fund balances, ending	\$ 664,252	\$ 177,101	\$ 54,224	\$ 25,701	\$ 40,699	\$ 1,286,650	\$ 11,955	\$ 2,211,558	\$ 4,472,140