

**TOWN OF MERRIMACK,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

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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 Net Position	18
E-2 Statement of Revenues, Expenses, and Change in Net Position.....	19
E-3 Statement of Cash Flows	20
<i>Fiduciary Funds</i>	
F-1 Statement of Net Position	21
F-2 Statement of Changes in Net Position	22
NOTES TO THE BASIC FINANCIAL STATEMENTS.....	23 - 43

REQUIRED SUPPLEMENTARY INFORMATION

G Schedule of Funding Progress for Other Postemployment Benefit Plan	44
H Schedule of the Town's Proportionate Share of Net Pension Liability	45
I Schedule of Town Contributions	46
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	47

COMBINING AND INDIVIDUAL FUND SCHEDULES

Governmental Funds	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	48
2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis).....	49
3 Schedule of Changes in Unassigned Fund Balance.....	50
<i>Nonmajor Governmental Funds</i>	
4 Combining Balance Sheet	51
5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	52



PLODZIK & SANDERSON

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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 fund, and aggregate remaining fund information of the Town of Merrimack as of and for the year ended June 30, 2016, 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.

Opinions

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 fund, and aggregate remaining fund information of the Town of Merrimack as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for the major general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress for Other Postemployment Benefit Plan, the Schedule of the Town's Proportionate Share of Net Pension Liability, and the Schedule of Town Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by

Town of Merrimack
Independent Auditor's Report

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 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 schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Plodzik & Sanderson
Professional Association

January 17, 2017

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, 2016.

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 four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to financial statements and (4) required supplementary information. 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference 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, sanitation, health and welfare, culture and recreation, community development, interest on long-term debt and capital outlay. 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$99,435,054 (i.e., net position), a change of \$5,086,627 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$18,024,713, a change of \$2,489,781 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the governmental funds was \$6,606,894, a change of \$1,522,012 in comparison to the prior year.
- Total bonds and loans payable at the close of the current fiscal year was \$3,329,924, a change of (\$699,291) in comparison to the prior year. The Town also had notes payable in the amount of \$6,916,369 at the close of the current fiscal year, a change of \$1,837,549 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.

NET POSITION

(In thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015 *	2016	2015 *	2016	2015 *
Current and Other assets	\$ 57,518	\$ 53,459	\$ 3,720	\$ 3,977	\$ 61,238	\$ 57,436
Capital assets	<u>67,640</u>	<u>66,378</u>	<u>44,177</u>	<u>42,340</u>	<u>111,817</u>	<u>108,718</u>
Total assets	<u>125,158</u>	<u>119,837</u>	<u>47,897</u>	<u>46,317</u>	<u>173,055</u>	<u>166,154</u>
Deferred outflows of resources	<u>1,901</u>	<u>1,666</u>	<u>113</u>	<u>380</u>	<u>2,014</u>	<u>2,046</u>
Long-term liabilities outstanding	24,453	24,234	3,122	3,419	27,575	27,653
Other liabilities	<u>1,752</u>	<u>1,490</u>	<u>7,317</u>	<u>5,905</u>	<u>9,069</u>	<u>7,395</u>
Total Liabilities	<u>26,205</u>	<u>25,724</u>	<u>10,439</u>	<u>9,324</u>	<u>36,644</u>	<u>35,048</u>
Deferred inflows of resources	<u>38,786</u>	<u>38,163</u>	<u>204</u>	<u>641</u>	<u>38,990</u>	<u>38,804</u>
Net Position:						
Net investment in capital assets	66,170	64,529	42,317	40,161	108,487	104,690
Restricted	2,825	2,498	533	1,106	3,358	3,604
Unrestricted	<u>(6,927)</u>	<u>(9,411)</u>	<u>(5,483)</u>	<u>(4,535)</u>	<u>(12,410)</u>	<u>(13,946)</u>
Total net position	<u>\$ 62,068</u>	<u>\$ 57,616</u>	<u>\$ 37,367</u>	<u>\$ 36,732</u>	<u>\$ 99,435</u>	<u>\$ 94,348</u>

* 2015 amounts reflect the prior period adjustments described in Note 16 to the financial statements.

CHANGES IN NET POSITION

(In thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues						
Charges for services	\$ 1,974	\$ 1,702	\$ 4,285	\$ 3,789	\$ 6,259	\$ 5,491
Operating grants and contributions	319	317	45	121	364	438
Capital grants and contributions	576	542	-	-	576	542
General revenues						
Property and other Taxes	16,152	15,777	-	-	16,152	15,777
Licenses and permits	5,611	5,104	-	-	5,611	5,104
Grants and contributions not restricted to specific programs	3,153	1,364	-	-	3,153	1,364
Investment income	470	155	10	2	480	157
Other	470	568	12	1	482	569
Transfers	430	-	(430)	-	-	-
Total revenues	29,155	25,529	3,922	3,913	33,077	29,442
Expenses:						
General government	2,951	3,032	-	-	2,951	3,032
Public safety	11,470	11,560	-	-	11,470	11,560
Highways and streets	4,456	4,689	-	-	4,456	4,689
Health and welfare	148	140	-	-	148	140
Sanitation	1,443	1,306	-	-	1,443	1,306
Culture and recreation	1,999	2,044	-	-	1,999	2,044
Community development	535	82	-	-	535	82
Interest on long-term debt	62	80	-	-	62	80
Capital outlay	1,607	-	-	-	1,607	-
Sewer operations	-	-	3,287	5,196	3,287	5,196
Total expenses	24,671	22,933	3,287	5,196	27,958	28,129
Change in net position	4,484	2,596	635	(1,283)	5,119	1,313
Loss on Disposal of assets	(32)	(76)	-	-	(32)	(76)
Increase in net position	4,452	2,520	635	(1,283)	5,087	1,237
Net position - beginning of year, as restated	57,616	55,096	36,732	38,015	94,348	93,111
Net position - end of year	\$ 62,068	\$ 57,616	\$ 37,367	\$ 36,732	\$ 99,435	\$ 94,348

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 \$108,487,632 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 \$3,357,856 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$(12,410,434) reflects the implementation in the prior fiscal year of a new accounting standard issued by the Government Accounting Standards Board which requires the Town to recognize its share of the net pension liability as described further in the Notes to the Financial Statements.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$4,451,975. Key elements of this change are as follows:

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

General fund operations	\$ 2,526,145
Special revenue funds	(359,629)
Capital project fund	3,693
Permanent funds	319,572
Subtotal	<u>2,489,781</u>

Depreciation in excess of debt service
principal paydown

(2,429,170)

Capital assets acquired from current and
prior year revenues, non-bonded

4,518,140

Other

(126,776)

Total

\$ 4,451,975

Business-type activities. Business-type activities for the year resulted in a change in net position of \$634,652. This change primarily results from a combination of higher rates from charges for services and a reduction in operating expenses.

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 \$6,606,894; committed fund balance (non-sewer capital

reserves) was \$3,435,769, while total fund balance was \$13,497,412. 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>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>
Unassigned fund balance	\$ 6,606,894	\$ 5,084,882	\$ 1,522,012
Committed fund balance (Capital Reserves)	3,435,769	3,217,353	218,416
Other fund balance	<u>3,454,749</u>	<u>2,669,032</u>	<u>785,717</u>
Total fund balance	<u>\$ 13,497,412</u>	<u>\$ 10,971,267</u>	<u>\$ 2,526,145</u>
Unassigned fund balance as % of total general fund expenditures	25.8%	22.3%	3.5%
Committed fund balance (Capital Reserves) as a % of total general fund expenditures	13.4%	14.1%	-0.7%
Total fund balance as % of general fund expenditures	52.6%	48.1%	4.5%

The total fund balance of the general fund increased by \$2,526,145 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of adjusted budget	\$ 1,753,824
Expenditures less than adjusted budget	1,256,637
Net transfers less than adjusted budget	(1,381,048)
Increase in encumbrances	678,316
Other	<u>218,416</u>
Total	<u>\$ 2,526,145</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 \$(5,483,386), a change of \$(948,669) 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$336,960. 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 reductions in expenditures as well as staffing turnover. Below is a brief summary of the variances.

- Salaries were under budget by \$443,000.
- Overtime was over budget by \$22,000.
- Renewal Health insurance premiums were lower than appropriations, resulting in a savings of over \$168,000.

- The Town incurred total legal expenses which were approximately \$31,000 less than the amount budgeted.
- Repairs and Maintenance on machinery and equipment were higher than budget by \$30,000.
- Vehicle Maintenance costs were over budget by \$32,000.
- Vehicle Fuel costs came in lower than appropriations by \$72,000.
- Education and training costs came in below budget by \$55,000.
- Road maintenance and repairs expenditures were over budget by \$142,000.
- Expenditures on salt and sand for winter road maintenance were below budget by over \$80,000.
- Solid Waste Disposal costs exceeded appropriations by \$104,000.
- Outside detail costs were under budget by \$30,000.
- Expenditures on office equipment were higher than budget by \$71,000.
- Vehicle registration revenues surpassed projections by over \$850,000.
- Federal Highway Block grants were higher than anticipated by \$72,000.
- Other State and Federal Grants exceeded budgeted amounts by over \$600,000, primarily as a result of higher State Bridge Aid due to the acceleration of certain bridge repair projects.
- Refunds of health insurance premiums from the Town's provider were higher than expected by more than \$53,000.
- Outside detail revenues exceeded the budget by \$23,000.
- Ambulance revenues were higher than projections by \$76,000.
- Interest income was higher than projections by \$9,000.
- Building permits exceeded estimates by \$79,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$111,817,556 (net of accumulated depreciation), a change of \$3,099,159 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 significant enhancements to the Town's Wastewater Treatment Facilities.

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 was \$3,329,924, 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 Notes 7 and 12 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's financial position remains strong. The Town has sufficient cash flow at this time to meet its obligations. The economy in Southern New Hampshire continues to fare comparatively well with the rest of the State, and the Northeast region of the United States continues to experience a rate of economic recovery that compares favorably with other regions of the country. The Town's unemployment rate is down to 3.1% from the previous year of 3.6%, and it still compares favorably with the state and national averages of 2.9% and 4.9%, respectively. Furthermore, there continue to be a number of large development projects in the planning stages that would appear to indicate 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 2016-17 budget has been adopted, and the 2016 property tax rate (Fiscal Year 2016) was set in October. Municipal appropriations, net of non-tax revenues, have increased by \$345,681 (2.1%) compared to 2015-16 net appropriations, and the municipal portion of the tax rate is to be \$4.91 per thousand. The Town's portion of the tax rate decreased by fifty-eight cents due to the effects of the Town-wide reassessment of property values offset by increased capital expenditure reserves 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, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 38,720,502	\$ 2,249,229	\$ 40,969,731
Investments	10,162,987	569,147	10,732,134
Taxes receivables (net)	6,938,015	-	6,938,015
Accounts receivable (net)	1,514,652	761,458	2,276,110
Intergovernmental receivable	-	139,653	139,653
Inventory	138,248	-	138,248
Prepaid items	6,770	-	6,770
Tax deeded property, subject to resale	37,071	-	37,071
Capital assets:			
Land and construction in progress	20,300,346	7,154,728	27,455,074
Other capital assets, net of depreciation	47,340,012	37,022,470	84,362,482
Total assets	<u>125,158,603</u>	<u>47,896,685</u>	<u>173,055,288</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>1,900,497</u>	<u>113,187</u>	<u>2,013,684</u>
LIABILITIES			
Accounts payable	768,049	157,495	925,544
Accrued salaries and benefits	867,365	112,432	979,797
Retainage payable	-	117,852	117,852
Accrued interest payable	18,561	13,783	32,344
Intergovernmental payable	97,340	6,916,369	7,013,709
Long-term liabilities:			
Due within one year	405,000	319,291	724,291
Due in more than one year	3,456,436	1,575,862	5,032,298
Net pension liability	20,592,066	1,226,387	21,818,453
Total liabilities	<u>26,204,817</u>	<u>10,439,471</u>	<u>36,644,288</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	36,756,480	-	36,756,480
Deferred amounts related to pensions	1,572,392	93,646	1,666,038
Unavailable revenue - Other	446,964	-	446,964
Unavailable revenue - CATV	10,000	-	10,000
Unavailable revenue - Sewer fund	-	110,148	110,148
Total deferred inflows of resources	<u>38,785,836</u>	<u>203,794</u>	<u>38,989,630</u>
NET POSITION			
Net investment in capital assets	66,170,358	42,317,274	108,487,632
Restricted net position	2,825,137	532,719	3,357,856
Unrestricted	(6,927,048)	(5,483,386)	(12,410,434)
Total net position	<u>\$ 62,068,447</u>	<u>\$ 37,366,607</u>	<u>\$ 99,435,054</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, 2016

	Program Revenues			Net (Expense) Revenue and	
	Expenses	Charges for Services	Operating Grants and Contributions	Change in Net Position	
				Governmental Activities	Business-type Activities
Governmental activities:					
General government	\$ 2,950,657	\$ 41,742	\$ -	\$ (2,908,915)	\$ -
Public safety	11,469,948	1,253,395	186,226	(10,030,327)	-
Highways and streets	4,455,606	3,700	131,933	(3,744,115)	-
Sanitation	1,443,081	468,558	-	(974,523)	-
Health and welfare	148,200	-	-	(148,200)	-
Culture and recreation	1,998,658	205,127	767	(1,792,764)	-
Community development	534,682	993	-	(533,689)	-
Interest on long-term debt	62,399	-	-	(62,399)	-
Capital outlay	1,607,406	-	-	(1,607,406)	-
Total governmental activities	24,670,637	1,973,515	318,926	(21,802,338)	-
Business-type activities:					
Sewer	3,287,016	4,285,409	44,848	-	1,043,241
Total	\$ 27,957,653	\$ 6,258,924	\$ 363,774	(21,802,338)	1,043,241
					(20,759,097)
General revenues:					
Taxes:					
Property				15,619,721	-
Other				532,676	-
Motor vehicle permit fees				4,834,839	-
Licenses and other fees				776,219	-
Grants and contributions not restricted to specific programs				3,153,275	-
Unrestricted investment earnings				469,736	9,518
Miscellaneous				470,060	11,765
Transfers				429,872	(429,872)
Special item:					
Loss on disposal of capital assets				(32,085)	-
Total general revenues and special items				26,254,313	(408,589)
Change in net position				4,451,975	634,652
Net position, beginning, as restated (see Note 16)				57,616,472	36,731,955
Net position, ending				\$ 62,068,447	\$ 37,366,607
					\$ 99,435,054

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, 2016

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 36,627,530	\$ 2,092,972	\$ 38,720,502
Investments	7,816,856	2,346,131	10,162,987
Accounts receivable (net)	1,413,291	101,361	1,514,652
Taxes receivable (net)	6,938,015	-	6,938,015
Inventory	138,248	-	138,248
Prepaid items	6,770	-	6,770
Tax deeded property, subject to resale	37,071	-	37,071
Total assets	<u>\$ 52,977,781</u>	<u>\$ 4,540,464</u>	<u>\$ 57,518,245</u>
LIABILITIES			
Accounts payable	\$ 764,886	\$ 3,163	\$ 768,049
Accrued salaries and benefits	867,365	-	867,365
Intergovernmental payable	97,340	-	97,340
Total liabilities	<u>1,729,591</u>	<u>3,163</u>	<u>1,732,754</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	37,303,814	-	37,303,814
Unavailable revenue - Other	446,964	-	446,964
Unavailable revenue - CATV	-	10,000	10,000
Total deferred inflows of resources	<u>37,750,778</u>	<u>10,000</u>	<u>37,760,778</u>
FUND BALANCES			
Nonspendable	771,780	1,772,730	2,544,510
Restricted	650,000	2,754,571	3,404,571
Committed	3,435,769	-	3,435,769
Assigned	2,032,969	-	2,032,969
Unassigned	6,606,894	-	6,606,894
Total fund balances	<u>13,497,412</u>	<u>4,527,301</u>	<u>18,024,713</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 52,977,781</u>	<u>\$ 4,540,464</u>	<u>\$ 57,518,245</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, 2016

Total fund balances of governmental funds (Exhibit C-1)		\$ 18,024,713
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	\$ 129,424,157	
Less accumulated depreciation	<u>(61,783,799)</u>	
		67,640,358
Revenues that are reported under the accrual basis of accounting and are not deferred until collection.		547,334
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(18,561)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 1,900,497	
Deferred inflows of resources related to pensions	<u>(1,572,392)</u>	
		328,105
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ (1,470,000)	
Compensated absences	(1,061,220)	
Net pension liability	(20,592,066)	
Other postemployment benefits	(860,216)	
Accrued landfill postclosure care costs	<u>(470,000)</u>	
		<u>(24,453,502)</u>
Net position of governmental activities (Exhibit A)		<u>\$ 62,068,447</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, 2016

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 16,048,208	\$ 75,413	\$ 16,123,621
Licenses and permits	5,308,956	302,102	5,611,058
Intergovernmental	3,911,611	-	3,911,611
Charges for services	1,887,464	86,051	1,973,515
Investment earnings	129,595	340,162	469,757
Miscellaneous	444,451	162,036	606,487
Total revenues	<u>27,730,285</u>	<u>965,764</u>	<u>28,696,049</u>
EXPENDITURES			
Current:			
General government	3,063,327	15,783	3,079,110
Public safety	11,538,846	83,534	11,622,380
Highways and streets	3,567,667	-	3,567,667
Sanitation	1,381,188	-	1,381,188
Health and welfare	148,995	-	148,995
Culture and recreation	1,646,175	261,647	1,907,822
Conservation	2,399	522,725	525,124
Community development	9,558	-	9,558
Debt service:			
Principal	380,000	-	380,000
Interest	69,873	-	69,873
Capital outlay	3,824,423	120,000	3,944,423
Total expenditures	<u>25,632,451</u>	<u>1,003,689</u>	<u>26,636,140</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,097,834</u>	<u>(37,925)</u>	<u>2,059,909</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	429,872	1,561	431,433
Transfers out	(1,561)	-	(1,561)
Total other financing sources (uses)	<u>428,311</u>	<u>1,561</u>	<u>429,872</u>
Net change in fund balances	2,526,145	(36,364)	2,489,781
Fund balances, beginning	10,971,267	4,563,665	15,534,932
Fund balances, ending	<u>\$ 13,497,412</u>	<u>\$ 4,527,301</u>	<u>\$ 18,024,713</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, 2016

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 2,489,781
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	\$ 4,518,140	
Less: disposal of capital asset	(447,073)	
Depreciation expense	<u>(2,809,170)</u>	
		1,261,897
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Change in contributions subsequent to the measurement date	\$ 1,103	
Changes in proportion	(602,769)	
Change in differences between expected and actual experience	(451,872)	
Change in net difference between projected and actual investment earnings on pension plan investments	2,026,227	
Change in net pension liability	<u>(454,842)</u>	
		517,847
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		28,776
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		380,000
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	\$ 7,474	
Increase in compensated absences payable	(68,976)	
Increase in postemployment benefits payable	(174,824)	
Decrease in accrued landfill postclosure care costs	<u>10,000</u>	
		<u>(226,326)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 4,451,975</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, 2016

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 15,777,038	\$ 15,829,343	\$ 16,048,208	\$ 218,865
Licenses and permits	4,338,566	4,337,166	5,308,956	971,790
Intergovernmental	3,240,227	3,230,498	3,911,611	681,113
Charges for services	1,936,801	1,792,208	1,887,464	95,256
Investment earnings	75,000	75,000	84,040	9,040
Miscellaneous	226,314	666,691	444,451	(222,240)
Total revenues	25,593,946	25,930,906	27,684,730	1,753,824
EXPENDITURES				
Current:				
General government	3,101,449	3,133,758	2,954,766	178,992
Public safety	12,216,447	11,800,408	11,494,704	305,704
Highways and streets	3,222,184	4,367,313	4,352,025	15,288
Sanitation	1,257,547	1,257,547	1,410,081	(152,534)
Health and welfare	155,057	156,666	148,995	7,671
Culture and recreation	1,507,535	1,584,134	1,688,373	(104,239)
Conservation	4,231	4,231	2,399	1,832
Economic development	-	258,874	9,558	249,316
Debt service:				
Principal	380,000	380,000	380,000	-
Interest	69,874	69,874	69,873	1
Capital outlay	3,735,630	4,554,599	3,799,993	754,606
Total expenditures	25,649,954	27,567,404	26,310,767	1,256,637
Excess (deficiency) of revenues over (under) expenditures	(56,008)	(1,636,498)	1,373,963	3,010,461
OTHER FINANCING USES				
Transfers in	1,512,308	3,092,798	1,713,011	(1,379,787)
Transfers out	(1,456,300)	(1,456,300)	(1,457,561)	(1,261)
Total other financing sources (uses)	56,008	1,636,498	255,450	(1,381,048)
Net change in fund balances	\$ -	\$ -	1,629,413	\$ 1,629,413
Increase in nonspendable fund balance			(7,401)	
Increase in assigned for contingency			(100,000)	
Unassigned fund balance, beginning			5,084,882	
Unassigned fund balance, ending			\$ 6,606,894	

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 Net Position
June 30, 2016

	Business-type Activities
	Enterprise Fund (Sewer Department)
ASSETS	
Cash and cash equivalents	\$ 2,249,229
Investments	569,147
Accounts receivable	761,458
Intergovernmental receivables	139,653
Capital assets, not being depreciated:	
Land	238,770
Construction in progress	6,915,958
Capital assets, net of accumulated depreciation:	
Buildings and systems	36,187,673
Improvements other than buildings	7,894
Machinery, equipment, and furnishings	826,903
Total assets	<u>47,896,685</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>113,187</u>
LIABILITIES	
Current liabilities:	
Accounts payable	157,495
Accrued salaries and benefits	112,432
Retainage payable	117,852
Accrued interest payable	13,783
Notes payable	6,916,369
Noncurrent liabilities:	
Due within one year:	
Bonds	319,291
Due in more than one year:	
Bonds	1,540,633
Compensated absences	35,229
Net pension liability	1,226,387
Total liabilities	<u>10,439,471</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	93,646
Unavailable revenue	110,148
Total deferred inflows of resources	<u>203,794</u>
NET POSITION	
Net investment in capital assets	42,317,274
Restricted for capital reserve funds	532,719
Unrestricted	(5,483,386)
Total net position	<u><u>\$ 37,366,607</u></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 Net Position
For the Fiscal Year Ended June 30, 2016

	Business-type Activities Enterprise Fund (Sewer Department)
Operating revenues:	
User charges	\$ 4,285,409
Miscellaneous	11,765
Total operating revenues	<u>4,297,174</u>
Operating expenses:	
Salaries and wages	1,730,914
Operation and maintenance	223,375
Depreciation	1,297,406
Total operating expenses	<u>3,251,695</u>
Operating income	<u>1,045,479</u>
Nonoperating revenue:	
Intergovernmental grants	44,848
Interest income	9,518
Interest expense	(35,321)
Total nonoperating revenues	<u>19,045</u>
Income before transfers	<u>1,064,524</u>
Transfers out	<u>(429,872)</u>
Change in net position	634,652
Net position, beginning, as restated (see Note 16)	<u>36,731,955</u>
Net position, ending	<u><u>\$ 37,366,607</u></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, 2016

Cash flows from operating activities:	
Receipts from customers and users	\$ 4,392,313
Payments to employees and suppliers	(2,500,183)
Net cash provided by operating activities	<u>1,892,130</u>
Cash flows from capital and related financing activities:	
Principal paid on bonds	(319,291)
Acquisition and construction of capital assets	(1,090,273)
Interest paid	(37,851)
Intergovernmental reimbursements	44,848
Transfers to other funds	(429,872)
Net cash used by capital and related financing activities	<u>(1,832,439)</u>
Cash flows from investing activities:	
Change in investment balances	605,510
Interest received	9,518
Net cash provided by investing activities	<u>615,028</u>
Net increase in cash	674,719
Cash, beginning	1,574,510
Cash, ending	<u><u>\$ 2,249,229</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income	<u>\$ 1,045,479</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	1,297,406
Decrease in other receivables	119,535
Decrease in accounts payable	(270,809)
Decrease in accrued salaries and benefits	(81,942)
Decrease in retainage payable	(168,325)
Decrease in net pension liability and deferred outflows and inflows of resources related to pensions	(24,818)
Decrease in deferred inflows of resources	(24,396)
Total adjustments	<u>846,651</u>
Net cash provided by operating activities	<u><u>\$ 1,892,130</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 Net Position
June 30, 2016

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 14,602	\$ 1,393,631
Investments	162,774	7,241,888
Total assets	<u>177,376</u>	<u>8,635,519</u>
LIABILITIES		
Intergovernmental payables	<u>-</u>	<u>8,635,519</u>
NET POSITION		
Held in trust for specific purposes	<u>\$ 177,376</u>	<u>\$ -</u>

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 Net Position
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust
ADDITIONS	
New funds	\$ 10,700
Interest	3,857
Change in fair market value	3,050
Total revenue	<u>17,607</u>
DEDUCTIONS	
Trust distributions	<u>10,950</u>
Change in net position	6,657
Net position, beginning	170,719
Net position, ending	<u><u>\$ 177,376</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, 2016

	<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
Investments.....	1-F
Receivables.....	1-G
Inventory.....	1-H
Capital Assets	1-I
Deferred Outflows/Inflows of Resources	1-J
Property Taxes.....	1-K
Compensated Absences	1-L
Long-term Obligations	1-M
Claims and Judgments.....	1-N
Internal/Interfund Activities	1-O
Net Position/Fund Balance Reporting	1-P
Defined Benefit Pension Plan	1-Q
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
Capital Assets.....	7
Internal/Interfund Transfers.....	8
Accrued Liabilities	9
Intergovernmental Payables.....	10
Deferred Outflows/Inflows of Resources	11
Long-term Liabilities	12
Encumbrances	13
Governmental and Business-type Activities Net Position	14
Governmental Fund Balances	15
Prior Period Adjustments.....	16
Defined Benefit Pension Plan	17
Other Postemployment Benefits (OPEB)	18
Risk Management.....	19
Contingent Liabilities.....	20
Subsequent Events.....	21

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

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. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its 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, deferred outflows of resources, liabilities, deferred inflows 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, and the long-term portion of compensated absences 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.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

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 Fund - is 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.

Fiduciary Funds – The Town also reports the following fiduciary funds:

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

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

I-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."

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

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 with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

1-F Investments

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

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

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

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

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

1-G Receivables

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

1-H Inventory

The inventories of the Town are valued at cost using the first-in/first-out (FIFO) method. The inventories of the Town's 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.

1-I 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.

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.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure 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 other 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-J Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

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.

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 6, 2015 and October 22, 2015, and were due on July 1, 2015 and December 1, 2015, respectively. 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, 2015 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 2,872,399,432
For all other taxes	\$ 2,967,701,632

The tax rates and amounts assessed for the year ended June 30, 2016 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$5.49	\$ 16,302,228
School portion:		
State of New Hampshire	\$2.40	6,884,669
Local	\$15.53	46,086,553
County portion	\$1.30	3,859,409
Total	<u>\$24.72</u>	<u>\$ 73,132,859</u>

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

1-L 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-M Long-term Obligations

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

1-N 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-O Internal/Interfund Transfers

Internal and 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.

1-P 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.
- 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, grantors, contributors, or laws or regulations of other governments; or (b) imposed by 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, 2016

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.

1-Q Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

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 2016, 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, 2016

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

Revenues:	
Per Exhibit D (budgetary basis)	\$ 29,397,741
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	45,555
To eliminate transfers between blended funds	(1,283,139)
Per Exhibit C-3 (GAAP basis)	<u>\$ 28,160,157</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 27,768,328
Adjustment:	
Basis differences:	
Encumbrances, beginning	1,254,653
Encumbrances, ending	(1,932,969)
GASB Statement No. 54:	
To eliminate transfers between general and expendable trust funds	(1,456,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 25,634,012</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits and certificates of deposit 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 \$42,377,964 and the bank balances totaled \$42,659,434. Petty cash totaled \$2,731.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 40,969,731
Cash per Statement of Net Position-Fiduciary Funds (Exhibit F-1)	1,408,233
Total cash and cash equivalents	<u>\$ 42,377,964</u>

NOTE 4 – INVESTMENTS

Note 1-F 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.

At June 30, 2016, the Town had the following investments:

Investments type:	
New Hampshire Public Deposit Investment Pool	\$ 388,838
Certificates of deposit	4,168,109
Mutual funds	605,617
Fixed income	8,146,658
Equities	4,827,574
Total fair value	<u>\$ 18,136,796</u>

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

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)	\$ 10,732,134
Investments per Statement of Net Position-Fiduciary Funds (Exhibit F-1)	7,404,662
Total investments	<u>\$ 18,136,796</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, 2016. Taxes receivable by year are as follows:

Property:	
Levy of 2016	\$ 6,213,455
Unredeemed (under tax lien):	
Levy of 2015	407,586
Levy of 2014	278,153
Levies of 2013 and prior	152,854
Welfare liens receivable	106,363
Less: allowance for estimated uncollectible taxes	(220,396)
Net taxes receivable	<u>\$ 6,938,015</u>

NOTE 6 – OTHER RECEIVABLES

Receivables at June 30, 2016, consisted of accounts (billings for police details, sewer, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of June 30, 2016 for the Town's major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Nonmajor Funds	Proprietary Sewer Fund	Total
Receivables:				
Accounts	\$ 1,685,832	\$ 101,361	\$ 761,458	\$ 2,548,651
Intergovernmental	-	-	139,653	139,653
Gross receivables	1,685,832	101,361	901,111	2,688,304
Less: allowance for uncollectibles	(272,541)	-	-	(272,541)
Net total receivables	<u>\$ 1,413,291</u>	<u>\$ 101,361</u>	<u>\$ 901,111</u>	<u>\$ 2,415,763</u>

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 consisted of the following:

	Balance, beginning (as restated)	Additions	Disposals	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 16,865,118	\$ 431,518	\$ -	\$ 17,296,636
Construction in progress	1,066,875	2,337,017	(400,182)	3,003,710
Total capital assets not being depreciated	<u>17,931,993</u>	<u>2,768,535</u>	<u>(400,182)</u>	<u>20,300,346</u>
Being depreciated:				
Improvements other than buildings	1,793,406	-	-	1,793,406
Buildings and building improvements	8,692,448	32,000	-	8,724,448
Machinery, equipment, and furnishings	12,597,607	526,416	(236,806)	12,887,217
Infrastructure	84,527,551	1,191,189	-	85,718,740
Total capital assets being depreciated	<u>107,611,012</u>	<u>1,749,605</u>	<u>(236,806)</u>	<u>109,123,811</u>
Total all capital assets	<u>125,543,005</u>	<u>4,518,140</u>	<u>(636,988)</u>	<u>129,424,157</u>
Less accumulated depreciation:				
Improvements other than buildings	(1,040,619)	(49,841)	-	(1,090,460)
Buildings and building improvements	(4,079,066)	(200,073)	-	(4,279,139)
Machinery, equipment, and furnishings	(9,177,618)	(860,762)	189,915	(9,848,465)
Infrastructure	(44,867,241)	(1,698,494)	-	(46,565,735)
Total accumulated depreciation	<u>(59,164,544)</u>	<u>(2,809,170)</u>	<u>189,915</u>	<u>(61,783,799)</u>
Net book value, capital assets being depreciated	48,446,468	(1,059,565)	(46,891)	47,340,012
Net book value, all governmental activities capital assets	<u>\$ 66,378,461</u>	<u>\$ 1,708,970</u>	<u>\$ (447,073)</u>	<u>\$ 67,640,358</u>
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 238,770	\$ -	\$ -	\$ 238,770
Construction in progress	5,090,964	1,824,994	-	6,915,958
Total capital assets not being depreciated	<u>5,329,734</u>	<u>1,824,994</u>	<u>-</u>	<u>7,154,728</u>
Being depreciated:				
Buildings and systems	60,646,164	1,123,206	-	61,769,370
Improvements other than buildings	412,390	-	-	412,390
Machinery, equipment, and furnishings	5,858,206	192,466	(23,993)	6,026,679
Total capital assets being depreciated	<u>66,916,760</u>	<u>1,315,672</u>	<u>(23,993)</u>	<u>68,208,439</u>
Total all capital assets	<u>72,246,494</u>	<u>3,140,666</u>	<u>(23,993)</u>	<u>75,363,167</u>
Less accumulated depreciation:				
Buildings and systems	(24,482,379)	(1,099,318)	-	(25,581,697)
Improvements other than buildings	(402,523)	(1,973)	-	(404,496)
Machinery, equipment, and furnishings	(5,021,656)	(196,115)	17,995	(5,199,776)
Total accumulated depreciation	<u>(29,906,558)</u>	<u>(1,297,406)</u>	<u>17,995</u>	<u>(31,185,969)</u>
Net book value, capital assets being depreciated	37,010,202	18,266	(5,998)	37,022,470
Net book value, all business-type activities capital assets	<u>\$ 42,339,936</u>	<u>\$ 1,843,260</u>	<u>\$ (5,998)</u>	<u>\$ 44,177,198</u>

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

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	\$ 116,491
Public safety	446,831
Highways and streets	2,029,838
Sanitation	110,299
Culture and recreation	105,711
	<u>2,809,170</u>
Business-type activities:	
Sewer	1,297,406
Total depreciation expense	<u>\$ 4,106,576</u>

NOTE 8 – INTERNAL/INTERFUND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2016 is as follows:

	<u>Transfers In:</u>		
	<u>Governmental Funds</u>		
	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Transfers out:			
Governmental fund:			
General	\$ -	\$ 1,561	\$ 1,561
Proprietary fund:			
Sewer department	429,872	-	429,872
Total	<u>\$ 429,872</u>	<u>\$ 1,561</u>	<u>\$ 431,433</u>

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

NOTE 9 – ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2016, were as follows:

	General Fund	Proprietary Sewer Fund
Salary and employee benefits	\$ 317,262	\$ -
Current portion of compensated absences	550,103	112,432
Total accrued liabilities	<u>\$ 867,365</u>	<u>\$ 112,432</u>

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

NOTE 10 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of at June 30, 2016 consist of the following:

General fund:	
Amount due to the New Hampshire Retirement System	\$ 87,340
Amount due to the Merrimack School District	10,000
Total general fund	<u>97,340</u>
Sewer fund:	
State of New Hampshire - Water Pollution Control Revolving	
Loan Fund Program (see Note 12)	<u>6,916,369</u>
Agency fund:	
Amounts held for School District	4,369,272
Amounts held for Village District	4,266,247
Total agency fund	<u>8,635,519</u>
Total intergovernmental payables due	<u><u>\$ 15,649,228</u></u>

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of \$1,900,497 in the governmental activities and \$113,187 in the proprietary sewer fund, total \$2,013,684 at June 30, 2016, and consist of deferred amounts related to pensions.

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		Governmental Funds	
	Governmental Activities	Business-type Activities	General	Other Governmental
Unavailable revenues	\$ 456,964	\$ 110,148	\$ 446,964	\$ 10,000
Deferred amounts related to pensions	1,572,392	93,646	-	-
Taxes collected in advance	36,756,480	-	37,303,814	-
Total deferred inflows of resources	<u>\$ 38,785,836</u>	<u>\$ 203,794</u>	<u>\$ 37,750,778</u>	<u>\$ 10,000</u>

NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 1,850,000	\$ -	\$ (380,000)	\$ 1,470,000	\$ 385,000
Compensated absences	992,244	68,976	-	1,061,220	-
Accrued landfill postclosure care costs	480,000	-	(10,000)	470,000	20,000
Net other postemployment benefits	685,392	174,824	-	860,216	-
Total long-term liabilities	<u>\$ 4,007,636</u>	<u>\$ 243,800</u>	<u>\$ (390,000)</u>	<u>\$ 3,861,436</u>	<u>\$ 405,000</u>
Business-type activities:					
General obligation bonds payable	\$ 2,179,215	\$ -	\$ (319,291)	\$ 1,859,924	\$ 319,291
Compensated absences	135,207	-	(99,978)	35,229	-
Total long-term liabilities	<u>\$ 2,314,422</u>	<u>\$ -</u>	<u>\$ (419,269)</u>	<u>\$ 1,895,153</u>	<u>\$ 319,291</u>

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

Long-term liabilities are comprised of the following:

	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2016	Current Portion
Governmental activities:					
General obligation bonds payable:					
Green's Pond land	2002	2018	3.0 - 4.5	\$ 540,000	\$ 270,000
Drainage improvement	2007	2023	4.0 - 4.75	930,000	115,000
				<u>1,470,000</u>	<u>385,000</u>
Compensated absences payable				1,061,220	-
Accrued landfill postclosure care costs payable				470,000	20,000
Other postemployment benefits				860,216	-
Total				<u>\$ 3,861,436</u>	<u>\$ 405,000</u>
Business-type activities:					
General obligation bonds payable:					
Interceptor repair	2012	2019	1.94	\$ 279,113	\$ 55,823
Dewatering upgrade	2013	2022	1.70	1,580,811	263,468
				<u>1,859,924</u>	<u>319,291</u>
Compensated absences payable				35,229	-
Total				<u>\$ 1,895,153</u>	<u>\$ 319,291</u>

The annual requirements to amortize all governmental activities general obligation bonds outstanding as of June 30, 2016, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 385,000	\$ 50,466	\$ 435,466
2018	390,000	36,650	426,650
2019	125,000	30,525	155,525
2020	130,000	24,150	154,150
2021	140,000	17,575	157,575
2022-2023	300,000	14,488	314,488
Totals	<u>\$ 1,470,000</u>	<u>\$ 173,854</u>	<u>\$ 1,643,854</u>

The annual requirements to amortize all business-type activities general obligation bonds outstanding as of June 30, 2016, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 319,291	\$ 32,289	\$ 351,580
2018	319,291	26,727	346,018
2019	319,292	21,165	340,457
2020	319,291	15,603	334,894
2021	319,291	10,041	329,332
2022	263,468	4,479	267,947
Totals	<u>\$ 1,859,924</u>	<u>\$ 110,304</u>	<u>\$ 1,970,228</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, 2016

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 \$470,000 as of June 30, 2016. 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, 2016 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>\$ 158,631</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, 2016, the Town has drawn down a total of \$6,916,369, which is reported in the business-type funds as an intergovernmental liability.

NOTE 13 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2016 are as follows:

General fund:	
General government	\$ 126,265
Public safety	98,004
Highways and streets	1,585,739
Sanitation	28,893
Culture and recreation	94,068
Total encumbrances	<u>\$ 1,932,969</u>

(This section intentionally left blank.)

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

NOTE 14 – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES NET POSITION

Governmental and business-type activities net position reported on the government-wide Statement of Net Position at June 30, 2016 include the following:

	Governmental Activities	Proprietary Fund
Net investment in capital assets:		
Net property, buildings, and equipment	\$ 67,640,358	\$ 44,177,198
Less:		
General obligation bonds payable	(1,470,000)	(1,859,924)
Total net investment in capital assets	<u>66,170,358</u>	<u>42,317,274</u>
Restricted net position:		
Permanent funds:		
Nonspendable (principal)	1,772,730	-
Expendable (interest)	775,961	-
Capital project fund	136,004	-
Library purposes	140,442	-
Sewer reserve funds	-	532,719
Total restricted	<u>2,825,137</u>	<u>532,719</u>
Unrestricted	<u>(6,927,048)</u>	<u>(5,483,386)</u>
Total net position	<u><u>\$ 62,068,447</u></u>	<u><u>\$ 37,366,607</u></u>

NOTE 15 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2016 include the following:

	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Inventory	\$ 138,248	\$ -	\$ 138,248
Prepaid item	6,770	-	6,770
Long-term receivable	589,691	-	589,691
Tax deeded property	37,071	-	37,071
Nonexpendable portion permanent funds	-	1,772,730	1,772,730
Total nonspendable	<u>771,780</u>	<u>1,772,730</u>	<u>2,544,510</u>
Restricted:			
Capital projects	650,000	136,004	786,004
Library fines	-	140,442	140,442
Heritage commission	-	26,160	26,160
Conservation	-	41,868	41,868
Current use	-	773,556	773,556
Cable television	-	800,715	800,715
Fire protection	-	59,865	59,865
Expendable portion permanent funds	-	775,961	775,961
Total restricted	<u>650,000</u>	<u>2,754,571</u>	<u>3,404,571</u>
Committed:			
Capital reserve funds	<u>3,435,769</u>	-	<u>3,435,769</u>

(Continued)

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

Governmental fund balances continued:

	General Fund	Other Governmental Funds	Total Governmental Funds
Assigned:			
Encumbrances	1,932,969	-	1,932,969
Contingency	100,000	-	100,000
Total assigned	2,032,969	-	2,032,969
Unassigned	6,606,894	-	6,606,894
Total fund balance	<u>\$ 13,497,412</u>	<u>\$ 4,527,301</u>	<u>\$ 18,024,713</u>

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

Net position at July 1, 2015 was restated to give retroactive effect to the following prior period adjustments:

	Governmental Activities	Proprietary Fund
To reallocate proportionate share of net pension liability and related deferred inflows and outflows of resources	\$ (2,859,658)	\$ 2,859,658
To remove incorrectly recorded construction in progress	(527,150)	-
Net position, as previously reported	61,003,280	33,872,297
Net position, as restated	<u>\$ 57,616,472</u>	<u>\$ 36,731,955</u>

For the year ending June 30, 2015, the allocation of net pension liability and related deferred inflows of resources and deferred outflows of resources was based on each function's percentage share of total payroll expenditures for the Town. Payroll expenditures in the sewer proprietary fund represented approximately 18.59% of the Town's total payroll, with the remaining 81.41% being allocated to functions within the governmental activities. For the year ending June 30, 2016, this estimate was revised to allocate the net pension liability and related deferred inflows of resources and deferred outflows of resources based on each function's percentage share of total New Hampshire Retirement System expenditures. In recalculating the June 30, 2015 percentages, the sewer proprietary fund represented 5.62% of New Hampshire Retirement System expenditures, with the remaining 94.38% being allocated to the governmental activities. This change results in the \$2,859,658 adjustment shown above.

An adjustment of \$527,150 in the governmental activities was made to remove construction in progress recorded at June 30, 2015 that related to the sewer proprietary fund. The construction in progress was recorded in the sewer proprietary fund at June 30, 2015.

NOTE 17 – DEFINED BENEFIT PENSION PLAN

Plan Description: The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

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

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

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

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

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

Contributions: The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. The contribution rates were 11.55% for police officers, 11.80% for firefighters; all other employees are required to contribute 7% of earnable compensation. For fiscal year 2016, the Town contributed 26.38% for police, 29.16% for firefighters, and 11.17% for all other employees. The contribution requirements for the fiscal years 2014, 2015, and 2016 were \$2,062,258, \$2,094,416, and \$2,166,604, respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016 the Town reported a liability of \$21,818,453 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2015, the Town's proportion was 0.55075864% which was a decrease of 0.01751629% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$1,306,748. At June 30, 2016 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Governmental Activities		Business-type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 117,445	\$ 570,172	\$ 6,995	\$ 33,957
Differences between expected and actual experience	-	451,872	-	26,912
Net difference between projected and actual investment earnings on pension plan investments	-	550,348	-	32,777
Contributions subsequent to the measurement date	1,783,052	-	106,192	-
Total	<u>\$ 1,900,497</u>	<u>\$ 1,572,392</u>	<u>\$ 113,187</u>	<u>\$ 93,646</u>

The \$1,783,052 in the governmental activities and \$106,192 in the business-type activities reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2016	\$ (523,056)
2017	(523,056)
2018	(523,056)
2019	124,696
2020	(97,126)
Totals	<u>\$ (1,541,598)</u>

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2014, using the following actuarial assumptions which, accordingly apply to 2015 measurements:

Inflation:	3.0%
Salary increases:	3.75- 5.8% average, including inflation
Investment rate of return:	7.75% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

Long-term Rates of Return: The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2015:

Asset Class	Target Allocation %	Weighted average long-term expected real rate of return %
		2015
Large Cap Equities	22.50%	3.00%
Small/Mid Cap Equities	7.50%	3.00%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.00%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	(0.70%)
Short Duration	2.50%	(1.00%)
Global Multi-Sector Fixed Income	11.00%	(0.28%)
Unconstrained Fixed Income	7.00%	(0.16%)
High-Yield Bonds	0.00%	0.00%
Global Bonds (unhedged)	0.00%	0.00%
Emerging Market Debt (external)	0.00%	0.00%
Total fixed income	25.00%	
Private equity	5.00%	5.50%
Private debt	5.00%	4.50%
Real estate	10.00%	3.50%
Opportunistic	5.00%	2.75%
Total alternative investments	25.00%	
Total	100.00%	

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

Discount Rate: The discount rate used to measure the collective total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
June 30, 2015	\$ 28,721,157	\$ 21,818,453	\$ 15,933,857
June 30, 2014	\$ 28,095,984	\$ 21,330,687	\$ 15,623,145
June 30, 2013	\$ 31,106,830	\$ 24,263,901	\$ 18,511,774

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 18 – 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 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 2016:

Annual required contribution/OPEB cost	\$ 138,574
Interest Net OPEB Obligation	30,843
Adjustment to Annual Required Contribution	5,407
Increase in net OPEB obligation	174,824
Net OPEB obligation, beginning	685,392
Net OPEB obligation, ending	<u>\$ 860,216</u>

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the seven 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, 2016	\$ 138,574	\$ -	0.00%	\$ 860,216
June 30, 2015	\$ 159,327	\$ -	0.00%	\$ 685,392
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

As of July 1, 2014, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$1,854,735, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,854,735. 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, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% 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 2024. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at July 1, 2014 was 29 years.

NOTE 19 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2016, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pool, currently operating as a common risk management and insurance program for its members.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2015 to June 30, 2016 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town billed and paid for the year ended June 30, 2016 was \$244,946 for workers' compensation and \$213,980 for property/liability.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

NOTE 20 – CONTINGENT LIABILITIES

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 21 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through January 17, 2017, the date the June 30, 2016 financial statements were available to be issued, and identified a tax abatement on December 23, 2016. The abatement totaled \$265,000 for taxes collected from 2011-2015, with \$100,000 to come from a contingency account, and the balance to come from overlay.

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, 2016

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, 2015	\$ -	\$ 1,854,735	\$ 1,854,735	0.00%	N/A	0.00%
July 1, 2014	\$ -	\$ 1,707,132	\$ 1,707,132	0.00%	N/A	0.00%
July 1, 2012	\$ -	\$ 1,530,251	\$ 1,530,251	0.00%	N/A	0.00%
July 1, 2010	\$ -	\$ 1,076,514	\$ 1,076,514	0.00%	N/A	0.00%
July 1, 2008	\$ -	\$ 1,081,415	\$ 1,081,415	0.00%	N/A	0.00%

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

EXHIBIT H
TOWN OF MERRIMACK, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2016

Fiscal Year	Valuation Date	Town's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Town Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2016	July 1, 2015	0.55075864%	\$ 21,818,453	\$ 10,375,880	210.28%	65.47%
June 30, 2015	July 1, 2014	0.56827493%	\$ 21,330,687	\$ 9,578,569	222.69%	66.32%
June 30, 2014	July 1, 2013	0.56378057%	\$ 24,263,901	\$ 9,390,075	258.40%	59.81%

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

EXHIBIT I
TOWN OF MERRIMACK, NEW HAMPSHIRE
Schedule of Town Contributions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2016

Fiscal Year	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2016	July 1, 2015	\$ 1,847,730	\$ 1,847,730	\$ -	\$ 10,375,880	17.81%
June 30, 2015	July 1, 2014	\$ 1,843,615	\$ 1,843,615	\$ -	\$ 9,578,569	19.25%
June 30, 2014	July 1, 2013	\$ 1,401,861	\$ 1,401,861	\$ -	\$ 9,390,075	14.93%

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

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

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, 2016, as well as the previous four years.

Schedule of the Town's Proportionate Share of Net Pension Liability & Schedule of Town Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits H and I represent the actuarial determined costs associated with the Town's pension plan at June 30, 2016.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2015:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	25 Years beginning July 1, 2015 (30 years beginning July 1, 2009)
Asset Valuation Method	5-Year smooth market for funding purposes
Price Inflation	3.0% per year
Wage Inflation	3.75% per year
Salary Increases	5.8% Average, including inflation
Municipal Bond Rate	4.29% per year
Investment Rate of Return	7.75% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2005-2010.
Mortality	RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

Other Information:

Notes	Contribution rates for Fiscal Year 2014 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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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, 2016

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 15,289,572	\$ 15,590,945	\$ 301,373
Land use change	125,000	130,413	5,413
Yield	5,000	1,853	(3,147)
Other taxes	100,000	100,000	-
Excavation	4,900	100	(4,800)
Payment in lieu of taxes	6,200	6,828	628
Interest and penalties on taxes	298,671	218,069	(80,602)
Total from taxes	15,829,343	16,048,208	218,865
Licenses, permits, and fees:			
Motor vehicle permit fees	3,975,000	4,834,839	859,839
Building permits	100,000	179,810	79,810
Other	262,166	294,307	32,141
Total from licenses, permits, and fees	4,337,166	5,308,956	971,790
Intergovernmental:			
State:			
Meals and rooms distribution	1,228,123	1,221,844	(6,279)
Highway block grant	503,572	575,666	72,094
Other	1,498,803	2,102,624	603,821
Federal:			
Other	-	11,477	11,477
Total from intergovernmental	3,230,498	3,911,611	681,113
Charges for services:			
Income from departments	1,792,208	1,887,464	95,256
Miscellaneous:			
Interest on investments	75,000	84,040	9,040
Sale of municipal property	5,000	7,862	2,862
Rent of property	7,500	6,500	(1,000)
Insurance dividends and reimbursements	315,000	368,125	53,125
Contributions and donations	40,343	24,690	(15,653)
Other	298,847	37,274	(261,573)
Total from miscellaneous	741,690	528,491	(213,199)
Other financing sources:			
Transfers in	3,092,798	1,713,011	(1,379,787)
Total revenues	\$ 29,023,703	\$ 29,397,741	\$ 374,038

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, 2016

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Election and registration	\$ -	\$ 22,775	\$ 22,687	\$ -	\$ 88
Revaluation of property	3,000	294,036	286,170	-	10,866
Planning and zoning	14,825	451,410	427,877	69,468	(31,110)
General government buildings	45,732	217,249	270,790	16,316	(24,125)
Other	171,269	2,148,288	2,055,803	40,481	223,273
Total general government	234,826	3,133,758	3,063,327	126,265	178,992
Public safety:					
Police	102,918	5,868,090	5,632,197	49,514	289,297
Fire	39,228	4,881,116	4,863,666	39,607	17,071
Building inspection	-	359,323	334,732	1,524	23,067
Emergency management	-	4,880	5,009	7,359	(7,488)
Dispatching	-	686,999	703,242	-	(16,243)
Total public safety	142,146	11,800,408	11,538,846	98,004	305,704
Highways and streets:					
Public works garage	-	371,138	292,409	-	78,729
Highways and streets	801,381	3,568,728	2,908,718	1,579,445	(118,054)
Other	-	427,447	366,540	6,294	54,613
Total highways and streets	801,381	4,367,313	3,567,667	1,585,739	15,288
Sanitation:					
Solid waste disposal	-	1,257,547	1,381,188	28,893	(152,534)
Health and welfare:					
Administration	-	74,000	74,000	-	-
Direct assistance	-	82,666	74,995	-	7,671
Total health and welfare	-	156,666	148,995	-	7,671
Culture and recreation:					
Parks and recreation	8,548	524,829	595,066	44,735	(106,424)
Library	43,322	1,020,575	1,013,391	49,333	1,173
Patriotic purposes	-	36,000	37,718	-	(1,718)
Other	-	2,730	-	-	2,730
Total culture and recreation	51,870	1,584,134	1,646,175	94,068	(104,239)
Conservation	-	4,231	2,399	-	1,832
Economic development	-	258,874	9,558	-	249,316
Debt service:					
Principal of long-term debt	-	380,000	380,000	-	-
Interest on long-term debt	-	69,873	69,873	-	-
Total debt service	-	449,873	449,873	-	-
Capital outlay	24,430	4,554,599	3,824,423	-	754,606
Other financing uses:					
Transfers out	-	1,456,300	1,457,561	-	(1,261)
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 1,254,653	\$ 29,023,703	\$ 27,090,012	\$ 1,932,969	\$ 1,255,375

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, 2016

Unassigned fund balance, beginning		\$ 5,084,882
Changes:		
2016 Budget summary:		
Revenue surplus (Schedule 1)	\$ 374,038	
Unexpended appropriations (Schedule 2)	<u>1,255,375</u>	
2016 Budget surplus		1,629,413
Increase in nonspendable fund balance		(7,401)
Increase in assigned for contingency		<u>(100,000)</u>
Unassigned fund balance, ending		<u><u>\$ 6,606,894</u></u>

SCHEDULE 4
TOWN OF MERRIMACK, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	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	\$ 710,839	\$ 100,700	\$ 59,865	\$ 26,160	\$ 41,868	\$ 775,234	\$ 136,004	\$ 242,302	\$ 2,092,972
Investments	-	39,742	-	-	-	-	-	2,306,389	2,346,131
Accounts receivable	101,361	-	-	-	-	-	-	-	101,361
Total assets	<u>\$ 812,200</u>	<u>\$ 140,442</u>	<u>\$ 59,865</u>	<u>\$ 26,160</u>	<u>\$ 41,868</u>	<u>\$ 775,234</u>	<u>\$ 136,004</u>	<u>\$ 2,548,691</u>	<u>\$ 4,540,464</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 1,485	\$ -	\$ -	\$ -	\$ -	\$ 1,678	\$ -	\$ -	\$ 3,163
Deferred inflows of resources	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Fund balances:									
Nonspendable	-	-	-	-	-	-	-	1,772,730	1,772,730
Restricted	800,715	140,442	59,865	26,160	41,868	773,556	136,004	775,961	2,754,571
Total fund balances	<u>800,715</u>	<u>140,442</u>	<u>59,865</u>	<u>26,160</u>	<u>41,868</u>	<u>773,556</u>	<u>136,004</u>	<u>2,548,691</u>	<u>4,527,301</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 812,200</u>	<u>\$ 140,442</u>	<u>\$ 59,865</u>	<u>\$ 26,160</u>	<u>\$ 41,868</u>	<u>\$ 775,234</u>	<u>\$ 136,004</u>	<u>\$ 2,548,691</u>	<u>\$ 4,540,464</u>

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, 2016

	Special Revenue Funds					Capital			
	Cable Television	Library Fines	Fire Protection	Heritage	Conservation Commission	Current Use	Project Fund	Permanent Fund	Total
Revenues:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,413	\$ -	\$ -	\$ 75,413
Licenses and permits	302,102	-	-	-	-	-	-	-	302,102
Charges for services	-	-	86,051	-	-	-	-	-	86,051
Investment earnings	1,720	21	221	67	112	2,403	263	335,355	340,162
Miscellaneous	-	37,894	-	397	315	-	123,430	-	162,036
Total revenues	303,822	37,915	86,272	464	427	77,816	123,693	335,355	965,764
Expenditures:									
Current:									
General government	-	-	-	-	-	-	-	15,783	15,783
Public safety	-	-	83,534	-	-	-	-	-	83,534
Culture and recreation	227,140	34,410	-	97	-	-	-	-	261,647
Conservation	-	-	-	-	1,472	521,253	-	-	522,725
Capital outlay	-	-	-	-	-	-	120,000	-	120,000
Total expenditures	227,140	34,410	83,534	97	1,472	521,253	120,000	15,783	1,003,689
Excess (deficiency) of revenues over (under) expenditures	76,682	3,505	2,738	367	(1,045)	(443,437)	3,693	319,572	(37,925)
Other financing sources:									
Transfers in	-	-	-	1,561	-	-	-	-	1,561
Net change in fund balances	76,682	3,505	2,738	1,928	(1,045)	(443,437)	3,693	319,572	(36,364)
Fund balances, beginning	724,033	136,937	57,127	24,232	42,913	1,216,993	132,311	2,229,119	4,563,665
Fund balances, ending	\$ 800,715	\$ 140,442	\$ 59,865	\$ 26,160	\$ 41,868	\$ 773,556	\$ 136,004	\$ 2,548,691	\$ 4,527,301