

**TOWN OF MERRIMACK,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

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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, 2017, 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, 2017, the respective changes in financial position, and the budgetary comparison for the 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.

February 12, 2018

*Plodzik & Sanderson
Professional Association*

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Merrimack, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to financial statements. This report also contains supplementary information intended to furnish additional detail to support 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 financial information on all assets, liabilities, and deferred inflows/outflows 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 Town of Merrimack'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 of the Town of Merrimack 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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 \$99,535,377 (i.e., net position), a change of \$318,278 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$19,070,497, an increase of \$1,008,584 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the governmental funds was \$7,219,234, an increase of \$612,340 in comparison to the prior year.
- Cash and cash equivalents plus investments for Governmental Funds totaled \$51,089,161 as of June 30, 2017, as compared to a total of \$48,883,489 as of June 30, 2016.
- Total bonds and notes payable at the close of the current fiscal year was \$9,231,916, an increase of \$5,901,992 in comparison to the prior year. This change was primarily the result of the completion of an upgrade to the Town's Wastewater Facility and the transfer of funds borrowed to finance the upgrades from Intergovernmental payables to long-term debt.

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)**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2017</u>	<u>2016 *</u>	<u>2017</u>	<u>2016 *</u>	<u>2017</u>	<u>2016 *</u>
Current and Other assets	\$ 59,187	\$ 57,556	\$ 3,924	\$ 3,682	\$ 63,111	\$ 61,238
Capital assets	<u>67,700</u>	<u>67,422</u>	<u>42,929</u>	<u>44,177</u>	<u>110,629</u>	<u>111,599</u>
Total assets	126,887	124,978	46,853	47,859	173,740	172,837
Deferred outflows of resources	<u>7,237</u>	<u>1,901</u>	<u>411</u>	<u>113</u>	<u>7,648</u>	<u>2,014</u>
Long-term liabilities outstanding	31,106	24,453	9,714	3,122	40,820	27,575
Other liabilities	<u>1,280</u>	<u>1,752</u>	<u>225</u>	<u>7,317</u>	<u>1,505</u>	<u>9,069</u>
Total Liabilities	32,386	26,205	9,939	10,439	42,325	36,644
Deferred inflows of resources	<u>39,401</u>	<u>38,786</u>	<u>127</u>	<u>204</u>	<u>39,528</u>	<u>38,990</u>
Net Position:						
Net investment in capital assets	66,615	65,952	34,782	42,317	101,397	108,269
Restricted	2,893	2,825	430	533	3,323	3,358
Unrestricted	<u>(7,171)</u>	<u>(6,889)</u>	<u>1,986</u>	<u>(5,521)</u>	<u>(5,185)</u>	<u>(12,410)</u>
Total net position	<u>\$ 62,337</u>	<u>\$ 61,888</u>	<u>\$ 37,198</u>	<u>\$ 37,329</u>	<u>\$ 99,535</u>	<u>\$ 99,217</u>

* 2016 amounts reflect the prior period adjustments described in Note 17 to the financial statements.

CHANGES IN NET POSITION

(In thousands)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2017</u>	<u>2016 *</u>	<u>2017</u>	<u>2016 *</u>	<u>2017</u>	<u>2016 *</u>
Revenues:						
Program revenues						
Charges for services	\$ 2,519	\$ 1,974	\$ 4,625	\$ 4,285	\$ 7,144	\$ 6,259
Operating grants and contributions	482	319	57	45	539	364
Capital grants and contributions	1,504	576	-	-	1,504	576
General revenues						
Property and other Taxes	14,820	16,152	-	-	14,820	16,152
Licenses and permits	5,539	5,611	-	-	5,539	5,611
Grants and contributions not restricted to specific programs	2,672	3,153	-	-	2,672	3,153
Investment income	331	470	9	10	340	480
Other	195	470	40	12	235	482
Transfers	-	430	-	(430)	-	-
Total revenues	<u>28,062</u>	<u>29,155</u>	<u>4,731</u>	<u>3,922</u>	<u>32,793</u>	<u>33,077</u>
Expenses:						
General government	3,469	2,951	-	-	3,469	2,951
Public safety	13,492	11,470	-	-	13,492	11,470
Highways and streets	6,456	4,456	-	-	6,456	4,456
Health and welfare	152	148	-	-	152	148
Sanitation	1,514	1,443	-	-	1,514	1,443
Culture and recreation	2,065	1,999	-	-	2,065	1,999
Community development	231	535	-	-	231	535
Interest on long-term debt	47	62	-	-	47	62
Capital outlay	187	1,607	-	-	187	1,607
Sewer operations	-	-	4,862	3,287	4,862	3,287
Total expenses	<u>27,613</u>	<u>24,671</u>	<u>4,862</u>	<u>3,287</u>	<u>32,475</u>	<u>27,958</u>
Change in net position	449	4,484	(131)	635	318	5,119
Loss on Disposal of assets	-	(250)	-	-	-	(250)
Increase in net position	<u>449</u>	<u>4,234</u>	<u>(131)</u>	<u>635</u>	<u>318</u>	<u>4,869</u>
Net position - beginning of year, as restated	<u>61,888</u>	<u>57,654</u>	<u>37,329</u>	<u>36,694</u>	<u>99,217</u>	<u>94,348</u>
Net position - end of year	<u>\$ 62,337</u>	<u>\$ 61,888</u>	<u>\$ 37,198</u>	<u>\$ 37,329</u>	<u>\$ 99,535</u>	<u>\$ 99,217</u>

* 2016 amounts reflect the prior period adjustments described in Note 17 to the financial statements.

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

The largest portion of net position \$101,397,400 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 \$3,323,215 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$(5,185,238) reflects a deficit as a result of the implementation of accounting standards issued by the Government Accounting Standards Board in recent years which require the Town to recognize its share of the net pension liability and other future post-employment benefits 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 \$449,292. Key elements of this change are as follows:

Excess of revenues and transfers in over expenditures and transfers out:	
General fund operations	\$ 783,998
Special revenue funds	10,820
Capital project funds	91,442
Permanent funds	<u>122,324</u>
Subtotal	1,008,584
Depreciation in excess of debt service principal paydown	(2,431,345)
Capital assets acquired from current and prior year revenues, non-bonded	3,094,176
Change in recognized pension obligations	(836,837)
Increases in compensated absences, post-employment benefits payable and accrued landfill postclosure care costs	(350,877)
Other	<u>(34,409)</u>
Total	<u>\$ 449,292</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(131,014). This change primarily resulted from an increase in operating expenses that was partially offset by higher rates from charges for services.

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 \$7,240,738; committed fund balance (non-sewer capital reserves) was \$4,250,617, while total fund balance was \$14,318,610. 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>6/30/17</u>	<u>6/30/2016 *</u>	<u>Change</u>
Unassigned fund balance	\$ 7,240,738	\$ 6,644,094	\$ 596,644
Committed fund balance (Capital Reserves)	4,250,617	3,435,769	814,848
Other fund balance	<u>2,827,255</u>	<u>3,454,749</u>	<u>(627,494)</u>
 Total fund balance	 <u>\$ 14,318,610</u>	 <u>\$ 13,534,612</u>	 <u>\$ 783,998</u>
 Unassigned fund balance as % of total general fund expenditures	 26.4%	 25.9%	 0.5%
Committed fund balance (Capital Reserves) as a % of total general fund expenditures	15.5%	13.4%	2.1%
Total fund balance as % of general fund expenditures	52.1%	52.8%	-0.6%

* 2016 amounts reflect the prior period adjustments described in Note 17 to the financial statements.

The total fund balance of the general fund increased by \$783,998 during the current fiscal year. Key factors in this change are as follows:

Revenues shortfall from adjusted budget	\$ (12,332)
Expenditures less than adjusted budget	3,065,728
Net transfers less than adjusted budget	(1,949,923)
Decrease in encumbrances	(572,123)
Other	<u>252,648</u>
 Total	 <u>\$ 783,998</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.

The Unrestricted net position of the Sewer Fund at the end of the year amounted to \$1,986,041. The overall net position of the Sewer Fund decreased by \$131,014 in comparison to the prior year, primarily due to interest expense on long-term debt issued to fund improvements made to the wastewater treatment facility.

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

Difference between the original budget and the final amended budget resulted in an overall change in appropriations of \$501,112. The majority of the overall change represents Grants received for the police and fire departments during the fiscal year.

Actual revenues came in less than 1% lower than budgeted revenues for the fiscal year ended June 30, 2017, as higher than anticipated tax abatements were offset by higher auto excise taxes, ambulance fees, and investment earnings. Below is a brief summary of the revenue variances:

- Tax abatements were higher than budgeted amounts by \$747,000.
- Interest collected on delinquent taxes was lower than budgeted amounts by \$128,000.
- Vehicle registration revenues surpassed projections by \$834,000.
- Federal Highway Block grants were higher than anticipated by \$14,000.
- State Meals and Rooms tax revenue was higher than budget by \$93,000.
- State and Federal grants for Police and Fire programs were \$86,000 below budget.
- Private grant revenues were \$290,000 lower than budgeted amounts.
- Ambulance revenues were higher than projections by \$164,000.
- Building permits exceeded estimates by \$26,000.
- Revenues generated by the Town's single stream recycling program were below budget by \$35,000.
- Fees charged to users of the Town's Transfer Station facilities exceeded budgeted amounts by \$41,000.
- Interest income was higher than projections by \$89,000.

Overall expenditures, net of transfers from the Town's Capital Reserve Funds, came in over \$1 million under budget for the fiscal year. Unspent General Fund appropriations were due to several factors including self-imposed reductions in expenditures as well as staffing turnover. Below is a brief summary of the expense variances.

- Salaries and Wages were under budget by \$632,000, primarily as a result of staff turnover that resulted in several positions being unfilled for a portion of the year.
- Overtime was over budget by \$173,000, principally as a result of the turnover referred to above.
- Payroll taxes and employer funded dental, health, and disability insurance were lower than budgeted amounts by \$384,000 as a result of the same staffing issues.
- Utility expenses for electricity, heating, water, sewer, and telephone were \$32,000 below budget estimates.
- Vehicle Fuel costs came in lower than appropriations by \$66,000.
- Property and liability insurance exceeded budget estimates by \$10,000.
- Legal expenses were lower than budgeted appropriations by \$54,000.
- Buildings and grounds maintenance and repairs expenditures were over budget by \$22,000.
- Vehicle maintenance and repairs expenditures came in \$15,000 higher than budget.
- Education and training expenses were below budget by \$52,000.
- Solid Waste Disposal costs exceeded appropriations by \$59,000.
- Street light expenditures were lower than budgeted amounts by 25,000 as a result of a program to convert to LED lights which was implemented during the current fiscal year.
- Expenditures on office equipment were \$19,000 higher than budgeted amounts.
- Election and voter registration related expenditures came in at \$27,000 over budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$110,629,316 (net of accumulated depreciation), a change of \$(1,188,240) 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 primarily consisted of certain road and bridge infrastructure improvements.

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 \$9,231,916, 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, 11 and 20 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 in the past year continued to experience a rate of economic recovery that compares favorably with the rest of the state, the New England region, and the country as a whole. The Town’s unemployment rate is down to 2.4% from the previous year of 3.1%, and it still compares favorably with the state and national averages of 2.3% and 4.1%, respectively. There continue to be several 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 provide diverse employment opportunities. Development over the past several years, along with expected future development, also increase demands on the Town’s infrastructure and services. Despite these demands, the Town believes it is well positioned in terms of its capital reserves and low outstanding debt obligations to be able to meet its needs for the foreseeable future.

The 2017-18 budget has been adopted, and the 2017 property tax rate (Fiscal Year 2017) was set in November. Municipal appropriations, net of non-tax revenues, have increased by \$373,524 (2.3%) compared to 2016-17 net appropriations, and the municipal portion of the tax rate was set at \$4.90 per thousand. The Town’s portion of the tax rate decreased by one cent from the prior fiscal year as the general effects of inflation on overall operating expenses were offset by an increase in the taxable valuation of the Town’s property base.

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, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 43,981,037	\$ 2,533,005	\$ 46,514,042
Investments	7,108,124	304,234	7,412,358
Taxes receivables (net)	5,389,948	-	5,389,948
Accounts receivable (net)	849,738	975,932	1,825,670
Intergovernmental receivable	1,652,414	111,612	1,764,026
Inventory	147,390	-	147,390
Prepaid items	30,430	-	30,430
Tax deeded property, subject to resale	27,800	-	27,800
Capital assets:			
Land and construction in progress	18,026,093	238,770	18,264,863
Other capital assets, net of depreciation	49,674,141	42,690,312	92,364,453
Total assets	<u>126,887,115</u>	<u>46,853,865</u>	<u>173,740,980</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>7,236,861</u>	<u>410,822</u>	<u>7,647,683</u>
LIABILITIES			
Accounts payable	341,571	80,628	422,199
Accrued salaries and benefits	828,499	77,036	905,535
Retainage payable	-	2,301	2,301
Accrued interest payable	14,787	65,214	80,001
Intergovernmental payable	95,416	-	95,416
Long-term liabilities:			
Due within one year	414,000	666,990	1,080,990
Due in more than one year	30,691,871	9,046,978	39,738,849
Total liabilities	<u>32,386,144</u>	<u>9,939,147</u>	<u>42,325,291</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	38,108,637	-	38,108,637
Deferred amounts related to pensions	1,059,101	60,123	1,119,224
Unavailable revenue - Other	223,110	-	223,110
Unavailable revenue - CATV	10,000	-	10,000
Unavailable revenue - Sewer fund	-	67,024	67,024
Total deferred inflows of resources	<u>39,400,848</u>	<u>127,147</u>	<u>39,527,995</u>
NET POSITION			
Net investment in capital assets	66,615,234	34,782,166	101,397,400
Restricted net position	2,893,029	430,186	3,323,215
Unrestricted	<u>(7,171,279)</u>	<u>1,986,041</u>	<u>(5,185,238)</u>
Total net position	<u>\$ 62,336,984</u>	<u>\$ 37,198,393</u>	<u>\$ 99,535,377</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, 2017

	Program Revenues			Net (Expense) Revenue and Change in Net Position		Total
	Expenses	Charges for Services		Governmental Activities	Business-type Activities	
		Operating Grants and Contributions	Capital Grants and Contributions			
Governmental activities:						
General government	\$ 3,469,279	\$ 34,148	\$ -	\$ (3,435,131)	\$ -	\$ (3,435,131)
Public safety	13,491,529	1,532,838	157,770	(11,800,921)	-	(11,800,921)
Highways and streets	6,455,614	900	125,473	(4,825,700)	-	(4,825,700)
Sanitation	1,513,519	492,674	293	(1,020,552)	-	(1,020,552)
Health and welfare	152,201	-	-	(152,201)	-	(152,201)
Culture and recreation	2,065,501	458,009	197,743	(1,409,749)	-	(1,409,749)
Community development	231,380	612	624	(230,144)	-	(230,144)
Interest on long-term debt	46,692	-	-	(46,692)	-	(46,692)
Capital outlay	186,994	-	-	(186,994)	-	(186,994)
Total governmental activities	27,612,709	2,519,181	481,903	(23,108,084)	-	(23,108,084)
Business-type activities:						
Sewer	4,861,944	4,625,066	56,925	-	(179,953)	(179,953)
Total	\$ 32,474,653	\$ 7,144,247	\$ 538,828	(23,108,084)	(179,953)	(23,288,037)
General revenues:						
Taxes:						
Property				14,315,291	-	14,315,291
Other				505,001	-	505,001
Motor vehicle permit fees				5,133,914	-	5,133,914
Licenses and other fees				405,235	-	405,235
Grants and contributions not restricted to specific programs				2,672,369	-	2,672,369
Unrestricted investment earnings				330,990	8,756	339,746
Miscellaneous				194,576	40,183	234,759
Total general revenues and special items				23,557,376	48,939	23,606,315
Change in net position				449,292	(131,014)	318,278
Net position, beginning, as restated (see Note 17)				61,887,692	37,329,407	99,217,099
Net position, ending				\$ 62,336,984	\$ 37,198,393	\$ 99,535,377

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, 2017

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$41,855,555	\$ 2,125,482	\$43,981,037
Investments	4,546,647	2,561,477	7,108,124
Accounts receivable (net)	743,654	106,084	849,738
Taxes receivable (net)	5,380,558	9,390	5,389,948
Due from other governments	1,652,414	-	1,652,414
Interfund receivable	5,900	-	5,900
Inventory	147,390	-	147,390
Prepaid items	30,430	-	30,430
Tax dedeed property, subject to resale	27,800	-	27,800
Total assets	\$ 54,390,348	\$ 4,802,433	\$ 59,192,781
LIABILITIES			
Accounts payable	\$ 306,925	\$ 34,646	\$ 341,571
Accrued salaries and benefits	828,499	-	828,499
Intergovernmental payable	95,416	-	95,416
Interfund payable	-	5,900	5,900
Total liabilities	1,230,840	40,546	1,271,386
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	38,617,788	-	38,617,788
Unavailable revenue - Other	223,110	-	223,110
Unavailable revenue - CATV	-	10,000	10,000
Total deferred inflows of resources	38,840,898	10,000	38,850,898
FUND BALANCES (DEFICIT)			
Nonspendable	816,409	1,482,079	2,298,488
Restricted	650,000	3,291,312	3,941,312
Committed	4,250,617	-	4,250,617
Assigned	1,360,846	-	1,360,846
Unassigned (deficit)	7,240,738	(21,504)	7,219,234
Total fund balances	14,318,610	4,751,887	19,070,497
Total liabilities, deferred inflows of resources, and fund balances	\$ 54,390,348	\$ 4,802,433	\$ 59,192,781

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, 2017

Total fund balances of governmental funds (Exhibit C-1)		\$ 19,070,497
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	\$ 131,640,635	
Less accumulated depreciation	<u>(63,940,401)</u>	67,700,234
Interfund receivables and payables between governmental funds eliminated on the Statement of Net Position.		
Receivables	\$ (5,900)	
Payables	<u>5,900</u>	-
Revenues that are reported under the accrual basis of accounting and are not deferred until collection.		509,151
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(14,787)
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	\$ 7,236,861	
Deferred inflows of resources related to pensions	<u>(1,059,101)</u>	6,177,760
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ (1,085,000)	
Compensated absences	(1,162,594)	
Net pension liability	(27,278,558)	
Other postemployment benefits	(1,051,719)	
Accrued landfill postclosure care costs	<u>(528,000)</u>	(31,105,871)
Net position of governmental activities (Exhibit A)		<u>\$ 62,336,984</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, 2017

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 14,780,510	\$ 77,965	\$ 14,858,475
Licenses and permits	5,539,644	274,592	5,814,236
Intergovernmental	3,311,796	-	3,311,796
Charges for services	2,158,050	223,788	2,381,838
Investment earnings	179,896	156,346	336,242
Miscellaneous	294,832	175,535	470,367
Total revenues	<u>26,264,728</u>	<u>908,226</u>	<u>27,172,954</u>
EXPENDITURES			
Current:			
General government	3,081,358	22,444	3,103,802
Public safety	12,414,800	84,449	12,499,249
Highways and streets	4,294,517	-	4,294,517
Sanitation	1,345,612	-	1,345,612
Health and welfare	151,915	-	151,915
Culture and recreation	1,728,691	348,753	2,077,444
Conservation	37,765	193,615	231,380
Debt service:			
Principal	385,000	-	385,000
Interest	50,466	-	50,466
Capital outlay	1,990,306	34,679	2,024,985
Total expenditures	<u>25,480,430</u>	<u>683,940</u>	<u>26,164,370</u>
Excess of revenues over expenditures	<u>784,298</u>	<u>224,286</u>	<u>1,008,584</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	300	300
Transfers out	(300)	-	(300)
Total other financing sources (uses)	<u>(300)</u>	<u>300</u>	<u>-</u>
Net change in fund balances	783,998	224,586	1,008,584
Fund balances, beginning, as restated (see Note 17)	13,534,612	4,527,301	18,061,913
Fund balances, ending	<u>\$ 14,318,610</u>	<u>\$ 4,751,887</u>	<u>\$ 19,070,497</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, 2017

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 1,008,584
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 capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$ 3,112,766	
Less: disposal of capital assets	(18,590)	
Depreciation expense	<u>(2,816,345)</u>	
		277,831
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ 300	
Transfers out	<u>(300)</u>	
		-
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	\$ 229,078	
Changes in proportion	(176,800)	
Changes in assumptions	3,357,123	
Change in differences between expected and actual experience	183,218	
Change in net difference between projected and actual investment earnings on pension plan investments	2,257,036	
Change in net pension liability	<u>(6,686,492)</u>	
		(836,837)
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		(38,183)
The repayment of principal of long-term debt consumes the current financial resources of governmental funds.		
Repayment of bond principal		385,000
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	\$ 3,774	
Increase in compensated absences payable	(101,374)	
Increase in postemployment benefits payable	(191,503)	
Increase in accrued landfill postclosure care costs	<u>(58,000)</u>	
		<u>(347,103)</u>
Changes in net position of governmental activities (Exhibit B)		<u>\$ 449,292</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, 2017

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 15,872,134	\$ 15,872,134	\$ 14,780,510	\$ (1,091,624)
Licenses and permits	4,662,166	4,662,166	5,539,644	877,478
Intergovernmental	4,535,208	3,306,726	3,311,796	5,070
Charges for services	1,868,155	1,868,955	2,158,050	289,095
Investment earnings	75,000	75,000	163,660	88,660
Miscellaneous	117,060	475,843	294,832	(181,011)
Total revenues	<u>27,129,723</u>	<u>26,260,824</u>	<u>26,248,492</u>	<u>(12,332)</u>
EXPENDITURES				
Current:				
General government	3,180,148	3,182,226	3,101,971	80,255
Public safety	12,593,910	13,011,809	12,472,476	539,333
Highways and streets	3,952,823	3,976,752	3,714,771	261,981
Sanitation	1,323,591	1,323,591	1,324,479	(888)
Health and welfare	157,509	160,618	151,915	8,703
Culture and recreation	1,683,743	1,755,421	1,679,158	76,263
Conservation	9,231	272,563	37,765	234,798
Debt service:				
Principal	385,000	385,000	385,000	-
Interest	50,467	50,467	50,466	1
Capital outlay	4,136,501	3,855,588	1,990,306	1,865,282
Total expenditures	<u>27,472,923</u>	<u>27,974,035</u>	<u>24,908,307</u>	<u>3,065,728</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(343,200)</u>	<u>(1,713,211)</u>	<u>1,340,185</u>	<u>3,053,396</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,440,500	2,810,511	860,588	(1,949,923)
Transfers out	(1,622,300)	(1,622,300)	(1,622,300)	-
Total other financing sources (uses)	<u>(181,800)</u>	<u>1,188,211</u>	<u>(761,712)</u>	<u>(1,949,923)</u>
Net change in fund balances	<u>\$ (525,000)</u>	<u>\$ (525,000)</u>	578,473	<u>\$ 1,103,473</u>
Increase in nonspendable fund balance			(44,629)	
Decrease in assigned for contingency			100,000	
Unassigned fund balance, beginning			<u>6,606,894</u>	
Unassigned fund balance, ending			<u>\$ 7,240,738</u>	

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, 2017

	Business-type Activities
	Enterprise Fund (Sewer Department)
ASSETS	
Cash and cash equivalents	\$ 2,533,005
Investments	304,234
Accounts receivable	975,932
Intergovernmental receivables	111,612
Capital assets, not being depreciated:	
Land	238,770
Capital assets, net of accumulated depreciation:	
Buildings and systems	41,904,945
Improvements other than buildings	5,921
Machinery, equipment, and furnishings	779,446
Total assets	46,853,865
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	410,822
LIABILITIES	
Current liabilities:	
Accounts payable	80,628
Accrued salaries and benefits	77,036
Retainage payable	2,301
Accrued interest payable	65,214
Noncurrent liabilities:	
Due within one year:	
Notes payable	666,990
Due in more than one year:	
Notes payable	7,479,926
Compensated absences	18,504
Net pension liability	1,548,548
Total liabilities	9,939,147
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	60,123
Unavailable revenue	67,024
Total deferred inflows of resources	127,147
NET POSITION	
Net investment in capital assets	34,782,166
Restricted for capital reserve funds	430,186
Unrestricted	1,986,041
Total net position	\$ 37,198,393

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, 2017

	Business-type Activities Enterprise Fund (Sewer Department)
Operating revenues:	
User charges	\$ 4,625,066
Miscellaneous	40,183
Total operating revenues	4,665,249
Operating expenses:	
Salaries and wages	1,739,447
Operation and maintenance	1,503,448
Depreciation	1,406,871
Total operating expenses	4,649,766
Operating income	15,483
Nonoperating revenue:	
Intergovernmental grants	56,925
Interest income	8,756
Interest expense	(212,178)
Total nonoperating revenues	(146,497)
Change in net position	(131,014)
Net position, beginning, as restated (see Note 17)	37,329,407
Net position, ending	\$ 37,198,393

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, 2017

Cash flows from operating activities:	
Receipts from customers and users	\$ 4,407,651
Payments to employees and suppliers	(3,496,432)
Net cash provided by operating activities	911,219
Cash flows from capital and related financing activities:	
Principal paid on bonds	(666,990)
Acquisition and construction of capital assets	(158,755)
Interest paid	(160,747)
Intergovernmental reimbursements	84,966
Net cash used by capital and related financing activities	(901,526)
Cash flows from investing activities:	
Change in investment balances	264,913
Interest received	9,170
Net cash provided by investing activities	274,083
Net increase in cash	283,776
Cash, beginning	2,249,229
Cash, ending	\$ 2,533,005

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income	\$ 15,483
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	1,406,871
Decrease in other receivables	(214,474)
Decrease in accounts payable	(76,868)
Decrease in accrued salaries and benefits	(52,121)
Decrease in retainage payable	(115,551)
Decrease in net pension liability and deferred outflows and inflows of resources related to pensions	(8,997)
Decrease in deferred inflows of resources	(43,124)
Total adjustments	895,736
Net cash provided by operating activities	\$ 911,219

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, 2017

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 17,391	\$ 1,255,175
Investments	182,609	8,277,865
Total assets	200,000	9,533,040
LIABILITIES		
Intergovernmental payables	-	9,533,040
NET POSITION		
Held in trust for specific purposes	\$ 200,000	\$ -

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, 2017

	Private Purpose Trust
ADDITIONS	
New funds	\$ 15,100
Interest	4,616
Change in fair market value	10,808
Total revenue	30,524
DEDUCTIONS	
Trust distributions	7,900
Change in net position	22,624
Net position, beginning	177,376
Net position, ending	\$ 200,000

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, 2017

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TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

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TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Merrimack, in 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

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. Generally, the effect of interfund activity has been eliminated from these statements. Primary government activities are distinguished between governmental and business-type activities. Governmental activities normally are supported through taxes and intergovernmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support.

The *Statement of Net Position* presents the financial position of the Town at year-end. This statement includes all of the Town’s non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue.

Fund Financial Statements - 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 proprietary funds are reported as separate columns in the fund financial statements.

In the governmental fund financial statements, expenditures are reported by character: current, debt service or capital outlay. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds. Capital outlay includes expenditures for equipment, real property, or infrastructure.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object. Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are generally reported as nonoperating.

Other Financing Sources (Uses) – these additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds and financing provided by bond proceeds. Transfers are reported when incurred as “transfers in” by the receiving fund and as “transfers out” by the disbursing fund.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

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

Measurement Focus and Basis of Accounting - 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 a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

Financial Statement Presentation - A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The Town reports the following major governmental fund:

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

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 and fire prevention operations.

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

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

Agency Fund – are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets held on behalf of outside parties, including other governments.

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1-D Cash and Cash Equivalents

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

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

1-E Statement of Cash Flows

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

1-F 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 are reported at fair value. The Town discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is as follow:

Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets and liabilities that the Town has the ability to access at the measurement date. Most of the Town's directly held marketable equity securities would be examples of Level 1 investments.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. All of the Town's holdings in U.S. government obligations and corporate bonds would be examples of Level 2 investments.

Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative financial instruments.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, it is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

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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 is recorded as an expenditures/expenses when consumed rather than when purchased.

1-I Prepaid Items

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

1-J Capital Assets

Capital assets are defined by the Town as assets with an initial individual cost of \$10,000 or more and an estimated life in excess of one year. Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, drainage, and similar items) and are reported in the applicable governmental or business-type activities.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund’s measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide Statement of Net Position.

Capital assets of the enterprise fund are capitalized in the fund. The cost basis for enterprise fund capital assets is the same as that used for general capital assets. Additionally, net interest cost is capitalized on enterprise fund capital assets during the construction period.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

In the government-wide financial statements and in the enterprise fund financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

Capital assets of the Town are depreciated or amortized using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Capital Asset Classes:	
Buildings and systems	20-45
Improvements other than buildings	7-50
Infrastructure	50
Machinery, equipment, and furnishings	5-20

1-K Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as “internal balances.” Interfund receivables and payables between governmental funds are eliminated in the Statement of Net Position.

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

1-L Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 12, 2016 and October 24, 2016, and were due on July 1, 2016 and December 1, 2016, 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, 2016 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 3,187,355,837
For all other taxes	\$ 3,303,284,437

The tax rates and amounts assessed for the year ended June 30, 2017 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$4.91	\$16,203,479
School portion:		
State of New Hampshire	\$2.19	6,982,221
Local	\$14.49	47,872,480
County portion	\$1.20	3,969,788
Total	\$22.79	\$75,027,968

1-M Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2017.

1-N Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position that applies to a future period(s) and thus will not be recognized as an outflow of resources (expense) until then.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-O Long-term Obligations

In the government-wide financial statements and proprietary fund 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.

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1-P 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 financial statements. The noncurrent portion is recognized as a long-term liability in the government wide and proprietary fund financial statements.

1-Q Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68, and No. 73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules are prepared by New Hampshire Retirement System, and are audited by the plan's independent auditors.

1-R Net Position/Fund Balances

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

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

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

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

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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 amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When multiple net position/fund balance classifications are available for use, it is the Town’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

1-S Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives and impairment of assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town’s operations. At its annual meeting, the Town adopts a budget for the current year for the general and sewer funds, as well as four nonmajor 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 2017, \$525,000 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.

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$27,109,080
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	16,236
To eliminate transfers between blended funds	(860,588)
Per Exhibit C-3 (GAAP basis)	<u>\$26,264,728</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$26,530,607
Adjustment:	
Basis differences:	
Encumbrances, beginning	1,932,969
Encumbrances, ending	(1,360,846)
GASB Statement No. 54:	
To eliminate transfers between general and expendable trust funds	(1,622,000)
Per Exhibit C-3 (GAAP basis)	<u>\$25,480,730</u>

2-C Deficit Fund Balances

The Highway Garage capital project fund had a deficit fund balance at June 30, 2017. This deficit will be financed through the issuance of bonds or notes, approved at the April 11, 2017 annual Town election, to be issued in the subsequent year.

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 \$47,786,608 and the bank balances totaled \$48,167,641 . Petty cash totaled \$2,734.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 46,514,042
Cash per Statement of Net Position-Fiduciary Funds (Exhibit F-1)	1,272,566
Total cash and cash equivalents	<u>\$ 47,786,608</u>

NOTE 4 – INVESTMENTS

Note 1-F describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

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The Town has the following recurring fair value measurements as of June 30, 2017:

	Valuation Measurement Method	Fair Value
Investments type:		
New Hampshire Public Deposit Investment Poc	Level 2	\$ 391,483
Certificates of deposit	Level 1	1,166,223
Mutual funds	Level 1	4,876
Fixed income	Level 1	9,169,758
Equities	Level 1	5,030,597
Alternatives	Level 1	108,320
Land	N/A	1,575
Total fair value		<u>\$15,872,832</u>

Investments in Certain External Investment Pools – In accordance with GASB Statement No. 79, Town held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) are categorized as Level 2. The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the Town in accordance with the NHPDIP’s Information Statement.

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 – This 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.

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)	\$ 7,412,358
Investments per Statement of Net Position-Fiduciary Funds (Exhibit F-1)	8,460,474
Total investments	<u>\$ 15,872,832</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, 2017. Taxes receivable by year are as follows:

Property:	
Levy of 2017	\$4,730,277
Unredeemed (under tax lien):	
Levy of 2016	368,112
Levy of 2015	213,299
Levies of 2014 and prior	194,296
Welfare liens receivable	122,737
Yield	5,835
Land use change	18,780
Less: allowance for estimated uncollectible taxes	(263,388)
Net taxes receivable	<u>\$5,389,948</u>

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NOTE 6 – OTHER RECEIVABLES

Receivables at June 30, 2017, 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, 2017 for the Town’s major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Proprietary Sewer Fund</u>	<u>Total</u>
Receivables:				
Accounts	\$ 1,058,817	\$106,084	\$ 975,932	\$ 2,140,833
Intergovernmental	1,652,414	-	111,612	1,764,026
Gross receivables	<u>2,711,231</u>	<u>106,084</u>	<u>1,087,544</u>	<u>3,904,859</u>
Less: allowance for uncollectibles	(315,163)	-	-	(315,163)
Net total receivables	<u>\$ 2,396,068</u>	<u>\$106,084</u>	<u>\$ 1,087,544</u>	<u>\$ 3,589,696</u>

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is as follows:

	<u>Balance, beginning (as restated)</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, ending</u>
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$17,296,636	\$ -	\$ -	\$ 17,296,636
Construction in progress	2,888,255	320,774	(2,479,572)	729,457
Total capital assets not being depreciated	<u>20,184,891</u>	<u>320,774</u>	<u>(2,479,572)</u>	<u>18,026,093</u>
Being depreciated:				
Improvements other than buildings	1,793,406	145,330	-	1,938,736
Buildings and building improvements	8,724,448	61,365	-	8,785,813
Machinery, equipment, and furnishings	12,353,016	671,163	(246,632)	12,777,547
Infrastructure	85,718,740	4,393,706	-	90,112,446
Total capital assets being depreciated	<u>108,589,610</u>	<u>5,271,564</u>	<u>(246,632)</u>	<u>113,614,542</u>
Total all capital assets	<u>128,774,501</u>	<u>5,592,338</u>	<u>(2,726,204)</u>	<u>131,640,635</u>
Less accumulated depreciation:				
Improvements other than buildings	(1,090,460)	(48,653)	-	(1,139,113)
Buildings and building improvements	(4,279,139)	(200,076)	-	(4,479,215)
Machinery, equipment, and furnishings	(9,416,764)	(798,191)	228,042	(9,986,913)
Infrastructure	(46,565,735)	(1,769,425)	-	(48,335,160)
Total accumulated depreciation	<u>(61,352,098)</u>	<u>(2,816,345)</u>	<u>228,042</u>	<u>(63,940,401)</u>
Net book value, capital assets being depreciated	47,237,512	2,455,219	(18,590)	49,674,141
Net book value, all governmental activities capital assets	<u>\$67,422,403</u>	<u>\$2,775,993</u>	<u>\$(2,498,162)</u>	<u>\$ 67,700,234</u>

(Continued)

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Capital assets continued:

	Balance, beginning (as restated)	Additions	Disposals	Balance, ending
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 238,770	\$ -	\$ -	\$ 238,770
Construction in progress	6,915,958	-	(6,915,958)	-
Total capital assets not being depreciated	<u>7,154,728</u>	<u>-</u>	<u>(6,915,958)</u>	<u>238,770</u>
Being depreciated:				
Buildings and systems	61,769,370	6,953,982	-	68,723,352
Improvements other than buildings	412,390	-	-	412,390
Machinery, equipment, and furnishings	6,026,679	120,731	(18,912)	6,128,498
Total capital assets being depreciated	<u>68,208,439</u>	<u>7,074,713</u>	<u>(18,912)</u>	<u>75,264,240</u>
Total all capital assets	<u>75,363,167</u>	<u>7,074,713</u>	<u>(6,934,870)</u>	<u>75,503,010</u>
Less accumulated depreciation:				
Buildings and systems	(25,581,697)	(1,236,710)	-	(26,818,407)
Improvements other than buildings	(404,496)	(1,973)	-	(406,469)
Machinery, equipment, and furnishings	(5,199,776)	(168,188)	18,912	(5,349,052)
Total accumulated depreciation	<u>(31,185,969)</u>	<u>(1,406,871)</u>	<u>18,912</u>	<u>(32,573,928)</u>
Net book value, capital assets being depreciated	<u>37,022,470</u>	<u>5,667,842</u>	<u>-</u>	<u>42,690,312</u>
Net book value, all business-type activities capital assets	<u>\$44,177,198</u>	<u>\$5,667,842</u>	<u>\$(6,915,958)</u>	<u>\$ 42,929,082</u>

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

Governmental activities:	
General government	\$ 145,913
Public safety	381,315
Highways and streets	2,116,550
Sanitation	112,066
Culture and recreation	60,501
	<u>2,816,345</u>
Business-type activities:	
Sewer	1,406,871
Total depreciation expense	<u>\$ 4,223,216</u>

NOTE 8 – ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2017, were as follows:

	General Fund	Proprietary Sewer Fund
Salary and employee benefits	\$329,580	\$ -
Current portion of compensated absences	498,919	77,036
Total accrued liabilities	<u>\$828,499</u>	<u>\$ 77,036</u>

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NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of at June 30, 2017 consist of the following:

General fund:	
Amount due to the New Hampshire Retirement System	\$ 84,757
Amount due to the Merrimack School District	10,000
Amount due to State of Massachusetts	659
Total general fund	<u>95,416</u>
Agency fund:	
Amounts held for School District	4,563,807
Amounts held for Village District	4,969,233
Total agency fund	<u>9,533,040</u>
Total intergovernmental payables due	<u>\$ 9,628,456</u>

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of \$7,236,861 in the Governmental Activities and \$410,822 in the Business-type Activities at June 30, 2017 consist of deferred amounts related to pensions.

Deferred inflows of resources are as follows:

	Entity-wide Basis		Governmental Funds	
	Governmental	Business-type	General	Other
	Activities	Activities	General	Governmental
Unavailable revenues	\$ 233,110	\$ 67,024	\$ 223,110	\$ 10,000
Deferred amounts related to pensions	1,059,101	60,123	-	-
Unavailable tax revenue	38,108,637	-	38,617,788	-
Total deferred inflows of resources	<u>\$39,400,848</u>	<u>\$ 127,147</u>	<u>\$38,840,898</u>	<u>\$ 10,000</u>

NOTE 11 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 1,470,000	\$ -	\$ (385,000)	\$ 1,085,000	\$ 390,000
Compensated absences	1,061,220	132,429	(31,055)	1,162,594	-
Accrued landfill postclosure care costs	470,000	58,000	-	528,000	24,000
Other postemployment benefits	860,216	191,503	-	1,051,719	-
Net pension liability	20,592,066	6,686,492	-	27,278,558	-
Total long-term liabilities	<u>\$ 24,453,502</u>	<u>\$ 7,068,424</u>	<u>\$ (416,055)</u>	<u>\$ 31,105,871</u>	<u>\$ 414,000</u>
Business-type activities:					
General obligation notes payable	\$ 1,859,924	\$ 6,953,982	\$ (666,990)	\$ 8,146,916	\$ 666,990
Compensated absences	35,229	-	(16,725)	18,504	-
Net pension liability	1,226,387	322,161	-	1,548,548	-
Total long-term liabilities	<u>\$ 3,121,540</u>	<u>\$ 7,276,143</u>	<u>\$ (683,715)</u>	<u>\$ 9,713,968</u>	<u>\$ 666,990</u>

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

	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2017	Current Portion
Governmental activities:					
General obligation bonds payable:					
Green's Pond land	2002	2018	3.0 - 4.5	\$ 270,000	\$ 270,000
Drainage improvement	2007	2023	4.0 - 4.75	815,000	120,000
Total				<u>\$ 1,085,000</u>	<u>\$ 390,000</u>
Business-type activities:					
General obligation notes payable:					
Interceptor repair	2012	2019	1.94	\$ 223,291	\$ 55,823
Dewatering upgrade	2013	2022	1.70	1,317,342	263,468
Water pollution	2017	2036	2.00	6,606,283	347,699
Total				<u>\$ 8,146,916</u>	<u>\$ 666,990</u>

The annual requirements to amortize all *governmental activities* bonds outstanding as of June 30, 2017, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	145,000	10,806	155,806
2023	155,000	3,681	158,681
Totals	<u>\$ 1,085,000</u>	<u>\$ 123,387</u>	<u>\$ 1,208,387</u>

The annual requirements to amortize all *business-type activities* notes outstanding as of June 30, 2017, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 666,990	\$ 158,852	\$ 825,842
2019	666,990	146,336	813,326
2020	666,990	133,821	800,811
2021	666,990	121,305	788,295
2022	611,168	108,789	719,957
2023-2027	1,738,495	776,371	2,514,866
2028-2032	1,738,495	278,159	2,016,654
2033-2036	1,390,798	104,310	1,495,108
Totals	<u>\$ 8,146,916</u>	<u>\$ 1,827,943</u>	<u>\$ 9,974,859</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.

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 after

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the date the landfill no longer accepts waste. The estimated liability for landfill postclosure care costs has a balance of \$528,000 and is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2017. 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, 2017 were as follows:

Original Loan Agreement	Purpose	Unissued Amount
August 8, 2012	Water Pollution Control Revolving Loan Fund Program	\$ 158,631
Authorized April 11, 2017	Highway garage upgrades and installation	3,300,000
		<u>\$3,458,631</u>

NOTE 12 – 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 are available to pay retirement benefits to all members.

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 ¼ 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 2017, 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 2015, 2016, and 2017 were \$2,094,416, \$2,166,604, and \$2,372,759, respectively, which were paid in full in each year.

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Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions: At June 30, 2017, the Town reported liabilities of \$27,278,558 in the governmental activities and \$1,548,548 in the business-type activities for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the Town's proportion was 0.54210793% which was a decrease of 0.00865071% from its proportion measured as of June 30, 2016. For the year ended June 30, 2017, the Town recognized pension expense of \$836,837 in the governmental activities and \$(8,997) in the business-type activities. At June 30, 2017, 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	\$ 85,114	\$ 714,640	\$ 4,832	\$ 40,569
Changes in assumption	3,357,123	-	190,577	-
Differences between expected and actual experience	75,807	344,461	4,303	19,554
Net difference between projected and actual investment earnings on pension plan investments	1,706,687	-	96,885	-
Contributions subsequent to the measurement date	2,012,130	-	114,225	-
Total	<u>\$ 7,236,861</u>	<u>\$ 1,059,101</u>	<u>\$ 410,822</u>	<u>\$ 60,123</u>

The \$2,012,130 in the Governmental Activities and \$114,225 in the Business-type Activities reported as deferred outflows of resources related to pensions result from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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,	
2017	\$ 820,818
2018	820,818
2019	1,458,184
2020	1,240,824
2021	61,460
Totals	<u>\$ 4,402,104</u>

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions which, accordingly apply to 2016 measurements:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Investment rate of return:	7.25% net of pension plan investment expense, including inflation.

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on last experience study.

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, 2010 – June 30, 2015.

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.

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Following is a table presenting target allocations and long-term rates of return for 2016:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2016
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.75%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	(0.64%)
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	(1.71%)
Absolute Return Fixed Income	7.00%	1.08%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	3.68%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

Discount Rate: The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2016	\$ 37,040,867	\$ 28,827.106	\$ 22,015,093

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 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Annual OPEB Cost - The Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the Town's contractual agreements.

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Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* requires that the long-term cost of retirement healthcare 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 2017:

Annual required contribution/OPEB cost	\$ 147,386
Interest Net OPEB Obligation	38,710
Adjustment to Annual Required Contribution	5,407
Increase in net OPEB obligation	191,503
Net OPEB obligation, beginning	860,216
Net OPEB obligation, ending	\$ 1,051,719

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the eight preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2017	\$ 147,386	\$ -	0.00%	\$ 1,051,719
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, 2016, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$2,012,165, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,012,165.

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

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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, 2016 actuarial valuation, the projected unit credit actual cost method was used. The actuarial assumptions included a 4.5% investment rate of return per annum. The projected annual healthcare cost trend is 9.0% initially, reduced by decrements to an ultimate rate of 5.0% for years 2024 and later. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2017 was 30 years.

NOTE 14 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at June 30, 2017 and are as follows:

General fund:	
General government	\$ 146,878
Public safety	155,680
Highways and streets	1,005,993
Sanitation	7,760
Culture and recreation	44,535
Total encumbrances	<u>\$ 1,360,846</u>

NOTE 15 – 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, 2017 include the following:

	<u>Governmental Activities</u>	<u>Proprietary Fund</u>	<u>Total</u>
Net investment in capital assets:			
Net property, buildings, and equipment	\$ 67,700,234	\$ 42,929,082	\$ 110,629,316
Less:			
General obligation bonds payable	<u>(1,085,000)</u>	<u>(8,146,916)</u>	<u>(9,231,916)</u>
Total net investment in capital assets	<u>66,615,234</u>	<u>34,782,166</u>	<u>101,397,400</u>
Restricted net position:			
Permanent funds:			
Nonspendable (principal)	1,482,079	-	1,482,079
Expendable (interest)	1,188,936	-	1,188,936
Capital project fund	227,446	-	227,446
Library purposes	152,010	-	152,010
Sewer reserve funds	-	430,186	430,186
Total restricted	<u>3,050,471</u>	<u>430,186</u>	<u>3,480,657</u>
Unrestricted	<u>(7,328,721)</u>	<u>1,986,041</u>	<u>(5,342,680)</u>
Total net position	<u>\$ 62,336,984</u>	<u>\$ 37,198,393</u>	<u>\$ 99,535,377</u>

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NOTE 16 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2017 include the following:

	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Inventory	\$ 147,390	\$ -	\$ 147,390
Prepaid item	30,430	-	30,430
Long-term receivable	638,589	-	638,589
Nonexpendable portion permanent funds	-	1,482,079	1,482,079
Total nonspendable	<u>816,409</u>	<u>1,482,079</u>	<u>2,298,488</u>
Restricted:			
Cable television	-	834,066	834,066
Capital projects	650,000	248,950	898,950
Library fines	-	152,010	152,010
Conservation	-	45,945	45,945
Current use	-	664,472	664,472
Expendable portion permanent funds	-	1,188,936	1,188,936
Fire protection	-	62,398	62,398
Heritage commission	-	24,531	24,531
Recreation revolving	-	70,004	70,004
Total restricted	<u>650,000</u>	<u>3,291,312</u>	<u>3,941,312</u>
Committed:			
Capital reserve funds	<u>4,250,617</u>	<u>-</u>	<u>4,250,617</u>
Assigned:			
Encumbrances	<u>1,360,846</u>	<u>-</u>	<u>1,360,846</u>
Unassigned (deficit):			
General	7,240,738	-	7,240,738
Highway Garage (deficit)	-	(21,504)	(21,504)
Total unassigned (deficit)	<u>7,240,738</u>	<u>(21,504)</u>	<u>7,219,234</u>
Total fund balance	<u>\$ 14,318,610</u>	<u>\$ 4,751,887</u>	<u>\$ 19,070,497</u>

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at July 1, 2016 was restated to give retroactive effect to the following prior period adjustments:

	Governmental Activities	Proprietary Fund	General Fund (Exhibit C-3)
To reclassify the Sewer Line Extension trust fund which is funded through tax income	\$ 37,200	\$ (37,200)	\$ 37,200
To remove capital assets and related accumulated depreciation previously disposed	(217,955)	-	-
Net position/fund balance, as previously reported	62,068,447	37,366,607	13,497,412
Net position/fund balance, as restated	<u>\$ 61,887,692</u>	<u>\$ 37,329,407</u>	<u>\$ 13,534,612</u>

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NOTE 18 – 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 2017, the Town was a member of 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, 2016 to June 30, 2017 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, 2017 was \$226,084 for workers' compensation and \$228,959 for property/liability.

NOTE 19 – CONTINGENT LIABILITIES

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

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

NOTE 20 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through February 12, 2018, the date the June 30, 2017 financial statements were available to be issued, and identified the following subsequent event:

On January 11, 2018, the Town issued a bond for \$3,300,000 through the New Hampshire Municipal Bond Bank for highway garage upgrades and installation. The bond was authorized with Warrant Article 2 at the April 11, 2017 town meeting.

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, 2017

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, 2016	\$ -	\$ 2,012,165	\$ 2,012,165	0.00%	N/A	0.00%
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, 2017

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, 2017	July 1, 2016	0.54210793%	\$ 28,827,106	\$ 10,921,043	263.96%	58.30%
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, 2017

Fiscal Year	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2017	July 1, 2016	\$ 1,941,175	\$ 1,941,175	\$ -	\$ 10,921,043	17.77%
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, 2017

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, 2017 and preceding five 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, 2017 and preceding three years.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2016:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	23 Years beginning July 1, 2016 (30 years beginning July 1, 2009)
Asset Valuation Method	5-Year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.85% per year
Investment Rate of Return	7.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

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, 2017

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 15,281,909	\$ 14,353,474	\$ (928,435)
Land use change	125,000	85,465	(39,535)
Yield	5,000	14,308	9,308
Other taxes	150,000	150,000	-
Excavation	4,900	-	(4,900)
Payment in lieu of taxes	6,654	6,930	276
Interest and penalties on taxes	298,671	170,333	(128,338)
Total from taxes	<u>15,872,134</u>	<u>14,780,510</u>	<u>(1,091,624)</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	4,300,000	5,133,914	833,914
Building permits	100,000	126,064	26,064
Other	262,166	279,666	17,500
Total from licenses, permits, and fees	<u>4,662,166</u>	<u>5,539,644</u>	<u>877,478</u>
Intergovernmental:			
State:			
Meals and rooms distribution	1,221,844	1,314,817	92,973
Highway block grant	562,154	576,311	14,157
Other	1,218,840	1,172,718	(46,122)
Federal:			
Other	303,888	247,950	(55,938)
Total from intergovernmental	<u>3,306,726</u>	<u>3,311,796</u>	<u>5,070</u>
Charges for services:			
Income from departments	1,868,955	2,158,050	289,095
Miscellaneous:			
Interest on investments	75,000	163,660	88,660
Sale of municipal property	25,000	111,525	86,525
Rent of property	7,500	7,500	-
Insurance dividends and reimbursements	15,000	95	(14,905)
Contributions and donations	44,093	22,427	(21,666)
Other	384,250	153,285	(230,965)
Total from miscellaneous	<u>550,843</u>	<u>458,492</u>	<u>(92,351)</u>
Other financing sources:			
Transfers in	2,810,511	860,588	(1,949,923)
Total revenues	29,071,335	<u>\$ 27,109,080</u>	<u>\$ (1,962,255)</u>
Unassigned fund balance used to reduce tax rate	525,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 29,596,335</u>		

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, 2017

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Election and registration	\$ -	\$ 31,222	\$ 58,167	\$ -	\$ (26,945)
Revaluation of property	-	302,299	286,539	-	15,760
Planning and zoning	69,468	460,382	448,096	58,846	22,908
General government buildings	16,316	223,456	222,381	36,443	(19,052)
Other	40,481	2,164,867	2,066,175	51,589	87,584
Total general government	<u>126,265</u>	<u>3,182,226</u>	<u>3,081,358</u>	<u>146,878</u>	<u>80,255</u>
Public safety:					
Police	49,514	6,108,423	5,938,015	48,627	171,295
Fire	39,607	5,789,714	5,436,166	107,053	286,102
Building inspection	1,524	373,063	330,957	-	43,630
Emergency management	7,359	6,880	5,881	-	8,358
Dispatching	-	733,729	703,781	-	29,948
Total public safety	<u>98,004</u>	<u>13,011,809</u>	<u>12,414,800</u>	<u>155,680</u>	<u>539,333</u>
Highways and streets:					
Public works garage	-	386,980	360,443	-	26,537
Highways and streets	1,579,445	3,152,698	3,531,914	1,005,993	194,236
Other	6,294	437,074	402,160	-	41,208
Total highways and streets	<u>1,585,739</u>	<u>3,976,752</u>	<u>4,294,517</u>	<u>1,005,993</u>	<u>261,981</u>
Sanitation:					
Solid waste disposal	28,893	1,323,591	1,345,612	7,760	(888)
Health and welfare:					
Administration	-	74,000	74,000	-	-
Direct assistance	-	86,618	77,915	-	8,703
Total health and welfare	<u>-</u>	<u>160,618</u>	<u>151,915</u>	<u>-</u>	<u>8,703</u>
Culture and recreation:					
Parks and recreation	44,735	611,329	637,906	-	18,158
Library	49,333	1,100,362	1,052,527	44,535	52,633
Patriotic purposes	-	41,000	38,258	-	2,742
Other	-	2,730	-	-	2,730
Total culture and recreation	<u>94,068</u>	<u>1,755,421</u>	<u>1,728,691</u>	<u>44,535</u>	<u>76,263</u>
Conservation	-	272,563	37,765	-	234,798
Debt service:					
Principal of long-term debt	-	385,000	385,000	-	-
Interest on long-term debt	-	50,466	50,466	-	-
Interest on tax anticipation notes	-	1	-	-	1
Total debt service	<u>-</u>	<u>435,467</u>	<u>435,466</u>	<u>-</u>	<u>1</u>
Capital outlay	-	3,855,588	1,990,306	-	1,865,282
Other financing uses:					
Transfers out	-	1,622,300	1,622,300	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 1,932,969</u>	<u>\$ 29,596,335</u>	<u>\$ 27,102,730</u>	<u>\$ 1,360,846</u>	<u>\$ 3,065,728</u>

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, 2017

Unassigned fund balance, beginning		\$ 6,606,894
Changes:		
Unassigned fund balance used to reduce tax rate		(525,000)
2017 Budget summary:		
Revenue deficit (Schedule 1)	\$ (1,962,255)	
Unexpended appropriations (Schedule 2)	<u>3,065,728</u>	
2017 Budget surplus		1,103,473
Increase in nonspendable fund balance		(44,629)
Decrease in assigned for contingency		<u>100,000</u>
Unassigned fund balance, ending		<u><u>\$ 7,240,738</u></u>

SCHEDULE 4
TOWN OF MERRIMACK, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue Funds							Capital Project Funds			Permanent Fund	Total
	Cable Television	Library Fines	Fire Protection	Heritage	Conservation Commission	Current Use	Recreation Revolving	General	Highway Garage			
ASSETS												
Cash and cash equivalents	\$ 737,982	\$ 117,070	\$ 69,435	\$ 24,531	\$ 46,108	\$ 659,550	\$ 77,378	\$ 248,950	\$ -	\$ -	\$ 144,478	\$ 2,125,482
Investments	-	34,940	-	-	-	-	-	-	-	-	2,526,537	2,561,477
Receivables:												
Taxes	-	-	-	-	-	9,390	-	-	-	-	-	9,390
Accounts	106,084	-	-	-	-	-	-	-	-	-	-	106,084
Total assets	\$ 844,066	\$ 152,010	\$ 69,435	\$ 24,531	\$ 46,108	\$ 668,940	\$ 77,378	\$ 248,950	\$ -	\$ -	\$ 2,671,015	\$ 4,802,433
LIABILITIES												
Accounts payable	\$ -	\$ -	\$ 7,037	\$ -	\$ 163	\$ 4,468	\$ 7,374	\$ -	\$ 15,604	\$ -	\$ -	\$ 34,646
Interfund payable	-	-	-	-	-	-	-	-	5,900	-	-	5,900
Total liabilities	-	-	7,037	-	163	4,468	7,374	-	21,504	-	-	40,546
DEFERRED INFLOWS OF RESOURCES												
Unavailable revenue - CATV	10,000	-	-	-	-	-	-	-	-	-	-	10,000
FUND BALANCES (DEFICIT)												
Nonspendable	-	-	-	-	-	-	-	-	-	-	1,482,079	1,482,079
Restricted	834,066	152,010	62,398	24,531	45,945	664,472	70,004	248,950	-	-	1,188,936	3,291,312
Unassigned (deficit)	-	-	-	-	-	-	-	-	(21,504)	-	-	(21,504)
Total fund balances (deficit)	834,066	152,010	62,398	24,531	45,945	664,472	70,004	248,950	(21,504)	-	2,671,015	4,751,887
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 844,066	\$ 152,010	\$ 69,435	\$ 24,531	\$ 46,108	\$ 668,940	\$ 77,378	\$ 248,950	\$ -	\$ -	\$ 2,671,015	\$ 4,802,433

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, 2017

	Special Revenue Funds						Capital Project Funds				Total
	Cable Television	Library Fines	Fire Protection	Heritage	Conservation Commission	Current Use	Recreation Revolving	General	Highway Garage	Permanent Fund	
REVENUES											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,965	\$ -	\$ -	\$ -	\$ -	\$ 77,965
Licenses and permits	274,592	-	-	-	-	-	-	-	-	-	274,592
Charges for services	-	-	86,539	-	-	-	137,249	-	-	-	223,788
Investment earnings	3,994	1,258	443	145	253	4,324	-	1,161	-	144,768	156,346
Miscellaneous	-	44,270	-	239	4,196	1,870	-	124,960	-	-	175,535
Total revenues	278,586	45,528	86,982	384	4,449	84,159	137,249	126,121	-	144,768	908,226
EXPENDITURES											
Current:											
General government	-	-	-	-	-	-	-	-	-	22,444	22,444
Public safety	-	-	84,449	-	-	-	-	-	-	-	84,449
Culture and recreation	245,235	33,960	-	2,313	-	-	67,245	-	-	-	348,753
Conservation	-	-	-	-	372	193,243	-	-	-	-	193,615
Capital outlay	-	-	-	-	-	-	-	13,175	21,504	-	34,679
Total expenditures	245,235	33,960	84,449	2,313	372	193,243	67,245	13,175	21,504	22,444	683,940
Excess (deficiency) of revenues over (under) expenditures	33,351	11,568	2,533	(1,929)	4,077	(109,084)	70,004	112,946	(21,504)	122,324	224,286
OTHER FINANCING SOURCES											
Transfers in	-	-	-	300	-	-	-	-	-	-	300
Net change in fund balances	33,351	11,568	2,533	(1,629)	4,077	(109,084)	70,004	112,946	(21,504)	122,324	224,586
Fund balances, beginning	800,715	140,442	59,865	26,160	41,868	773,556	-	136,004	-	2,548,691	4,527,301
Fund balances (deficit), ending	\$ 834,066	\$ 152,010	\$ 62,398	\$ 24,531	\$ 45,945	\$ 664,472	\$ 70,004	\$ 248,950	\$ (21,504)	\$ 2,671,015	\$ 4,751,887