

**TOWN OF MERRIMACK,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

TOWN OF MERRIMACK, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

INDEPENDENT AUDITOR'S REPORT

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

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, 2018, 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 from 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, 2018, and 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.

Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in fiscal year 2018 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

***Town of Merrimack
Independent Auditor's Report***

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Management's Discussion and Analysis
- Schedule of the Town's Proportionate Share of Net Pension Liability
- Schedule of Town Contributions – Pensions
- Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability
- Schedule of the Town Contributions – Other Postemployment Benefits
- Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios
- Notes to the Required Supplementary Information

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

*Plodzik & Sanderson
Professional Association*

December 26, 2018

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, 2018.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. The basic financial statements present two (2) different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town.

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

The Statement of Net Position presents information on all assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into 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 Funds Balance Sheet and the Governmental Funds 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 Funds Balance sheet and in the Governmental Funds 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. Individual fund data for each of these non-major governmental funds is provided in the form of combining schedules in the combining and individual fund schedules section of this report.

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 Town's sewer operations. The Sewer Fund is classified as a major fund.

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 \$96,888,774 (i.e., net position), a decrease of \$324,704 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$23,243,566, an increase of \$4,173,069 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the governmental funds was \$8,013,356, an increase of \$794,122 in comparison to the prior year.
- Cash and cash equivalents plus investments for Governmental Funds totaled \$56,051,635 as of June 30, 2018, as compared to a total of \$51,089,161 as of June 30, 2017.
- Total bonds and notes payable at the close of the current fiscal year was \$11,474,926, an increase of \$2,243,010 in comparison to the prior year. This increase reflects the issuance of the Highway Garage bond of \$3,300,000 during the current fiscal year, offset by scheduled repayments on outstanding bonds and notes of approximately \$1,057,000.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

NET POSITION (In thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017 *	2018	2017 *	2018	2017 *
Current and Other assets	\$ 66,588	\$ 59,187	\$ 4,755	\$ 3,924	\$ 71,343	\$ 63,111
Capital assets	<u>67,429</u>	<u>67,700</u>	<u>41,807</u>	<u>42,929</u>	<u>109,236</u>	<u>110,629</u>
Total assets	<u>134,017</u>	<u>126,887</u>	<u>46,562</u>	<u>46,853</u>	<u>180,579</u>	<u>173,740</u>
Deferred outflows of resources	<u>6,479</u>	<u>5,004</u>	<u>349</u>	<u>322</u>	<u>6,828</u>	<u>5,326</u>
Long-term liabilities outstanding	36,089	31,106	9,104	9,714	45,193	40,820
Other liabilities	<u>3,034</u>	<u>1,280</u>	<u>252</u>	<u>225</u>	<u>3,286</u>	<u>1,505</u>
Total Liabilities	<u>39,123</u>	<u>32,386</u>	<u>9,356</u>	<u>9,939</u>	<u>48,479</u>	<u>42,325</u>
Deferred inflows of resources	<u>41,152</u>	<u>39,401</u>	<u>887</u>	<u>127</u>	<u>42,039</u>	<u>39,528</u>
Net Position:						
Net investment in capital assets	63,434	66,615	34,328	34,782	97,762	101,397
Restricted	5,889	2,893	204	430	6,093	3,323
Unrestricted	<u>(9,102)</u>	<u>(9,404)</u>	<u>2,136</u>	<u>1,897</u>	<u>(6,966)</u>	<u>(7,507)</u>
Total net position	<u>\$ 60,221</u>	<u>\$ 60,104</u>	<u>\$ 36,668</u>	<u>\$ 37,109</u>	<u>\$ 96,889</u>	<u>\$ 97,213</u>

* 2017 amounts reflect the prior period adjustments described in Note 18 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>2018</u>	<u>2017 *</u>	<u>2018</u>	<u>2017 *</u>	<u>2018</u>	<u>2017 *</u>
Revenues:						
Program revenues						
Charges for services	\$ 2,221	\$ 2,519	\$ 4,550	\$ 4,625	\$ 6,771	\$ 7,144
Operating grants and contributions	561	482	136	57	697	539
Capital grants and contributions	1,108	1,504	-	-	1,108	1,504
General revenues						
Property and other Taxes	16,461	14,820	-	-	16,461	14,820
Licenses and permits	5,813	5,539	-	-	5,813	5,539
Grants and contributions not restricted to specific programs	1,488	2,672	-	-	1,488	2,672
Investment income	696	331	44	9	740	340
Other	239	195	11	40	250	235
	<u>28,587</u>	<u>28,062</u>	<u>4,741</u>	<u>4,731</u>	<u>33,328</u>	<u>32,793</u>
Total revenues						
Expenses:						
General government	3,629	3,756	-	-	3,629	3,756
Public safety	13,474	14,608	-	-	13,474	14,608
Highways and streets	5,464	6,990	-	-	5,464	6,990
Health and welfare	164	152	-	-	164	152
Sanitation	1,645	1,639	-	-	1,645	1,639
Culture and recreation	2,145	2,236	-	-	2,145	2,236
Community development	17	231	-	-	17	231
Interest on long-term debt	80	47	-	-	80	47
Capital outlay	1,852	187	-	-	1,852	187
Sewer operations	-	-	5,182	4,951	5,182	4,951
	<u>28,470</u>	<u>29,846</u>	<u>5,182</u>	<u>4,951</u>	<u>33,652</u>	<u>34,797</u>
Total expenses						
Change in net position	117	(1,784)	(441)	(220)	(324)	(2,004)
Net position - beginning of year, as restated	<u>60,104</u>	<u>61,888</u>	<u>37,109</u>	<u>37,329</u>	<u>97,213</u>	<u>99,217</u>
Net position - end of year	<u>\$ 60,221</u>	<u>\$ 60,104</u>	<u>\$ 36,668</u>	<u>\$ 37,109</u>	<u>\$ 96,889</u>	<u>\$ 97,213</u>

* 2017 amounts reflect the prior period adjustments described in Note 18 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 in the amount of \$97,761,884 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 totaling \$6,093,139 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$(6,966,249) 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 unfunded net pension liability and other future post-employment benefits in the Town's current Financial Statements, 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 \$116,710. Key elements of this change are as follows:

Excess of revenues and transfers in over expenditures and transfers out:	
General fund operations	\$ 1,295,001
Special revenue funds	37,020
Capital project funds	2,633,899
Permanent funds	<u>207,149</u>
Subtotal	4,173,069
Depreciation in excess of debt service principal paydown	(2,391,640)
Capital assets acquired from current and prior year revenues, non-bonded	2,510,806
Proceeds from bond issuance	(3,300,000)
Change in recognized pension obligations	(824,894)
Change in recognized OPEB obligations	(34,594)
Changes in compensated absences, accrued interest expense and accrued landfill postclosure care costs	63,840
Change in deferred tax revenue	<u>(79,877)</u>
Total	<u>\$ 116,710</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(441,414). This change primarily resulted from an increase in operating expenses for the Town's sewer operations.

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 \$8,013,356; committed fund balance (non-sewer capital reserves) was \$4,526,154, while total fund balance was \$15,613,611. 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>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
Unassigned fund balance	\$ 8,013,356	\$ 7,240,738	\$ 772,618
Committed fund balance (Capital Reserves)	4,526,154	4,250,617	275,537
Other fund balance	<u>3,074,101</u>	<u>2,827,255</u>	<u>246,846</u>
Total fund balance	<u>\$ 15,613,611</u>	<u>\$ 14,318,610</u>	<u>\$ 1,295,001</u>
Unassigned fund balance as % of total general fund expenditures	29.3%	26.4%	2.9%
Committed fund balance (Capital Reserves) as a % of total general fund expenditures	16.5%	15.5%	1.0%
Total fund balance as % of general fund expenditures	57.0%	52.1%	4.9%

The total fund balance of the general fund increased by \$1,295,001 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of adjusted budget	\$ 477,369
Expenditures less than adjusted budget	2,002,905
Net transfers less than adjusted budget	(538,080)
Decrease in encumbrances	(472,730)
Other	<u>(174,463)</u>
Total	<u>\$ 1,295,001</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 \$2,136,288. The overall net position of the Sewer Fund decreased by \$441,414 in comparison to the prior year, primarily due to higher operation and maintenance expenses for 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

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$499,328. The majority of the overall change represents Grants received for the Police and Fire departments during the fiscal year, which increase both revenues and expenses.

Actual revenues came in approximately \$477,000, or 1.8%, higher than budgeted revenues for the fiscal year ended June 30, 2018, as higher than anticipated auto registrations, highway block grants from the State of New Hampshire, ambulance fees and investment earnings, along with lower than expected tax abatements, were partially offset by lower than expected state bridge aid due to delays in the timing of certain bridge repair projects. Below is a brief summary of the revenue variances:

- Vehicle registration revenues were higher than projections by \$377,000.
- Federal Highway Block grants were higher than anticipated by \$499,000.
- Ambulance revenues were higher than projections by \$98,000.
- Tax overlay was lower than the budgeted amount by \$472,000.
- Building permits exceeded estimates by \$77,000.
- Revenues generated by the Town's single stream recycling program were higher than the budget by \$19,000.
- Fees charged to users of the Town's Transfer Station facilities exceeded budgeted amounts by \$25,000.
- Interest income from investments was higher than projections by \$283,000.
- Interest received on outstanding and delinquent property taxes was lower than budget by \$24,000.
- Current use and yield taxes were lower than budgeted amounts by \$36,000.
- Police grant revenues were lower than anticipated by \$31,000.
- Aid from state and federal governments for bridge and sidewalk repairs was lower than budgeted amounts by \$1,264,000 due to delays in certain projects.

Overall expenditures, net of transfers from the Town's Capital Reserve Funds, came in over \$1.5 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 \$710,000, primarily as a result of staff turnover and retirements that resulted in several positions being unfilled for a portion of the year.
- Overtime was over budget by \$88,000, principally as a result of the turnover referred to above, along with increased demands on the Town's Police Department resources.
- Payroll taxes and employer funded retirement, dental, health, and disability insurance were lower than budgeted amounts by \$315,000 as a result of the same staffing issues referred to above.
- Payments due to employees upon termination were higher than the budget by \$114,000 as a result of certain unexpected retirements during the current fiscal year.
- Utility expenses for electricity, heating, water, sewer, and telephone were \$20,000 below budget estimates.
- Vehicle fuel costs came in lower than appropriations by \$36,000.
- Legal expenses were higher than budgeted appropriations by \$42,000.
- Buildings and grounds maintenance and repairs expenditures were under budget by \$26,000.
- Vehicle and equipment maintenance and repairs expenditures came in \$59,000 higher than budget.
- Education and training expenses were below budget by \$57,000.
- Solid Waste Disposal costs were lower than budgeted appropriations by \$12,000.
- 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 prior fiscal year.
- Expenditures on office equipment were \$88,000 lower than budgeted amounts.
- Transfers from the Town's Capital Reserve Funds were lower than budgeted amounts by \$538,000 due to delays in certain planned capital expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$109,236,810 (net of accumulated depreciation), a change of \$(1,392,506) 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, culvert, and bridge infrastructure improvements, along with new communications equipment for the Police Department and new ambulance and forestry vehicles for the Fire Department.

Credit rating. The Town has not had a credit rating for many years. The last credit rating the Town had was Moody's credit rating of Aa2.

Long-term debt. At the end of the current fiscal year, total debt outstanding for bonds and notes payable was \$11,474,926, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in Notes 7 and 11 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 growth 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 1.9% from the previous year of 2.4%, and it still compares favorably with the state and national averages of 2.6% and 3.7%, respectively. There continue to be several large development projects in both the construction and planning stages that indicate that the Town can expect to 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 2018-19 budget has been adopted, and the 2018 property tax rate (Fiscal Year 2018) was set in November. Municipal appropriations, net of non-tax revenues, have increased by \$859,147 (5.2%) compared to 2017-18 net appropriations, and the municipal portion of the tax rate was set at \$5.10 per thousand. The Town's portion of the tax rate increased by twenty cents from the prior fiscal year which can primarily be attributed to the need to increase staffing of both the Police and Fire Departments, along with the general effects of inflation and rising health care costs on overall operating expenses.

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, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 49,154,364	\$ 2,697,274	\$ 51,851,638
Investments	6,897,271	244,765	7,142,036
Accounts receivable (net)	797,324	929,800	1,727,124
Taxes receivables (net)	9,066,817	-	9,066,817
Intergovernmental receivable	454,946	883,271	1,338,217
Inventory	158,428	-	158,428
Prepaid items	15,061	-	15,061
Tax deeded property, subject to resale	43,147	-	43,147
Capital assets:			
Land and construction in progress	19,239,158	238,770	19,477,928
Other capital assets, net of depreciation	48,190,242	41,568,640	89,758,882
Total assets	<u>134,016,758</u>	<u>46,562,520</u>	<u>180,579,278</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	6,188,708	333,161	6,521,869
Deferred amounts related to OPEB	289,924	15,608	305,532
Total deferred outflows of resources	<u>6,478,632</u>	<u>348,769</u>	<u>6,827,401</u>
LIABILITIES			
Accounts payable	1,899,929	142,659	2,042,588
Accrued salaries and benefits	963,359	49,455	1,012,814
Retainage payable	15,617	-	15,617
Accrued interest payable	60,965	60,013	120,978
Intergovernmental payable	93,741	-	93,741
Long-term liabilities:			
Due within one year	320,431	666,990	987,421
Due in more than one year	35,768,665	8,437,475	44,206,140
Total liabilities	<u>39,122,707</u>	<u>9,356,592</u>	<u>48,479,299</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	39,730,546	-	39,730,546
Deferred amounts related to pensions	1,204,176	64,825	1,269,001
Deferred amounts related to OPEB	6,013	324	6,337
Unavailable revenue - Other	201,326	-	201,326
Unavailable revenue - CATV	10,000	-	10,000
Unavailable revenue - Sewer fund	-	821,396	821,396
Total deferred inflows of resources	<u>41,152,061</u>	<u>886,545</u>	<u>42,038,606</u>
NET POSITION			
Net investment in capital assets	63,434,400	34,327,484	97,761,884
Restricted net position	5,888,759	204,380	6,093,139
Unrestricted	(9,102,537)	2,136,288	(6,966,249)
Total net position	<u>\$ 60,220,622</u>	<u>\$ 36,668,152</u>	<u>\$ 96,888,774</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, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 3,628,664	\$ 31,696	\$ -	\$ -	\$ (3,596,968)	\$ -	\$ (3,596,968)
Public safety	13,474,203	1,411,748	169,903	-	(11,892,552)	-	(11,892,552)
Highways and streets	5,464,243	-	124,075	1,108,249	(4,231,919)	-	(4,231,919)
Sanitation	1,645,368	532,643	-	-	(1,112,725)	-	(1,112,725)
Health and welfare	164,459	-	-	-	(164,459)	-	(164,459)
Culture and recreation	2,144,896	244,015	267,104	-	(1,633,777)	-	(1,633,777)
Community development	16,527	462	275	-	(15,790)	-	(15,790)
Interest on long-term debt	79,543	-	-	-	(79,543)	-	(79,543)
Capital outlay	1,851,946	-	-	-	(1,851,946)	-	(1,851,946)
Total governmental activities	<u>28,469,849</u>	<u>2,220,564</u>	<u>561,357</u>	<u>1,108,249</u>	<u>(24,579,679)</u>	<u>-</u>	<u>(24,579,679)</u>
Business-type activities:							
Sewer	5,182,049	4,549,710	136,126	-	-	(496,213)	(496,213)
Total	<u>\$ 33,651,898</u>	<u>\$ 6,770,274</u>	<u>\$ 697,483</u>	<u>\$ 1,108,249</u>	<u>(24,579,679)</u>	<u>(496,213)</u>	<u>(25,075,892)</u>
General revenues:							
Taxes:							
Property					15,958,002	-	15,958,002
Other					503,134	-	503,134
Motor vehicle permit fees					5,277,284	-	5,277,284
Licenses and other fees					535,874	-	535,874
Grants and contributions not restricted to specific programs					1,487,561	-	1,487,561
Unrestricted investment earnings					695,325	43,490	738,815
Miscellaneous					239,209	11,309	250,518
Total general revenues and special items					<u>24,696,389</u>	<u>54,799</u>	<u>24,751,188</u>
Change in net position					116,710	(441,414)	(324,704)
Net position, beginning, as restated (see Note 18)					60,103,912	37,109,566	97,213,478
Net position, ending					<u>\$ 60,220,622</u>	<u>\$ 36,668,152</u>	<u>\$ 96,888,774</u>

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

EXHIBIT C-1
TOWN OF MERRIMACK, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 44,085,807	\$ 5,068,557	\$ 49,154,364
Investments	4,021,001	2,876,270	6,897,271
Accounts receivable (net)	699,098	98,226	797,324
Taxes receivable (net)	9,066,817	-	9,066,817
Intergovernmental receivable	454,946	-	454,946
Inventory	158,428	-	158,428
Prepaid items	15,061	-	15,061
Tax deeded property, subject to resale	43,147	-	43,147
Total assets	<u>\$ 58,544,305</u>	<u>\$ 8,043,053</u>	<u>\$ 66,587,358</u>
LIABILITIES			
Accounts payable	\$ 1,512,448	\$ 387,481	\$ 1,899,929
Accrued salaries and benefits	963,359	-	963,359
Intergovernmental payable	93,741	-	93,741
Retainage payable	-	15,617	15,617
Total liabilities	<u>2,569,548</u>	<u>403,098</u>	<u>2,972,646</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	40,159,820	-	40,159,820
Unavailable revenue - Other	201,326	-	201,326
Unavailable revenue - CATV	-	10,000	10,000
Total deferred inflows of resources	<u>40,361,146</u>	<u>10,000</u>	<u>40,371,146</u>
FUND BALANCES			
Nonspendable	785,985	1,587,475	2,373,460
Restricted	650,000	6,042,480	6,692,480
Committed	4,526,154	-	4,526,154
Assigned	1,638,116	-	1,638,116
Unassigned	8,013,356	-	8,013,356
Total fund balances	<u>15,613,611</u>	<u>7,629,955</u>	<u>23,243,566</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 58,544,305</u>	<u>\$ 8,043,053</u>	<u>\$ 66,587,358</u>

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

EXHIBIT C-2
TOWN OF MERRIMACK, NEW HAMPSHIRE
Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position
June 30, 2018

Total fund balances of governmental funds (Exhibit C-1)		\$ 23,243,566
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	\$ 133,840,120	
Less accumulated depreciation	<u>(66,410,720)</u>	
		67,429,400
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 6,188,708	
Deferred inflows of resources related to pensions	(1,204,176)	
Deferred outflows of resources related to OPEB	289,924	
Deferred inflows of resources related to OPEB	<u>(6,013)</u>	
		5,268,443
Revenues that are reported under the accrual basis of accounting and are not deferred until collection.		429,274
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(60,965)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ (3,743,875)	
Unamortized bond premium	(251,125)	
Compensated absences	(1,040,576)	
Net pension liability	(26,910,224)	
Other postemployment benefits	(3,603,296)	
Accrued landfill postclosure care costs	<u>(540,000)</u>	
		<u>(36,089,096)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 60,220,622</u></u>

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

EXHIBIT C-3
TOWN OF MERRIMACK, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 16,497,583	\$ 43,430	\$ 16,541,013
Licenses and permits	5,813,974	205,456	6,019,430
Intergovernmental	2,738,744	823	2,739,567
Charges for services	1,897,946	322,618	2,220,564
Investment earnings	457,302	269,156	726,458
Miscellaneous	246,546	172,858	419,404
Total revenues	<u>27,652,095</u>	<u>1,014,341</u>	<u>28,666,436</u>
EXPENDITURES			
Current:			
General government	3,450,175	17,440	3,467,615
Public safety	12,537,854	88,384	12,626,238
Highways and streets	3,332,007	-	3,332,007
Sanitation	1,457,045	-	1,457,045
Health and welfare	164,253	-	164,253
Culture and recreation	1,507,226	513,842	2,021,068
Conservation	11,773	4,754	16,527
Debt service:			
Principal	390,000	-	390,000
Interest	33,365	-	33,365
Capital outlay	3,473,096	812,153	4,285,249
Total expenditures	<u>26,356,794</u>	<u>1,436,573</u>	<u>27,793,367</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,295,301</u>	<u>(422,232)</u>	<u>873,069</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	300	300
Transfers out	(300)	-	(300)
Bond proceeds	-	3,048,875	3,048,875
Premium on bonds issued	-	251,125	251,125
Total other financing sources (uses)	<u>(300)</u>	<u>3,300,300</u>	<u>3,300,000</u>
Net change in fund balances	1,295,001	2,878,068	4,173,069
Fund balances, beginning	14,318,610	4,751,887	19,070,497
Fund balances, ending	<u>\$ 15,613,611</u>	<u>\$ 7,629,955</u>	<u>\$ 23,243,566</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 Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 4,173,069
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 2,551,455	
Less: disposal of capital assets	(40,649)	
Depreciation expense	<u>(2,781,640)</u>	(270,834)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ 300	
Transfers out	<u>(300)</u>	-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue		(79,877)
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Proceeds of debt	\$ (3,048,875)	
Bond premium on new issuance	(251,125)	
Principal repayment of bond	<u>390,000</u>	(2,910,000)
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.		
Increase in accrued interest expense	\$ (46,178)	
Decrease in compensated absences payable	122,018	
Increase in accrued landfill postclosure care costs	(12,000)	
Net increase in net pension liability and deferred outflows and inflows or resources related to pensions	(824,894)	
Net decrease in net OPEB liability and deferred outflows and inflows or resources related to OPEB	<u>(34,594)</u>	(795,648)
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 116,710</u></u>

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

EXHIBIT D
TOWN OF MERRIMACK, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 16,028,617	\$ 16,028,617	\$ 16,497,583	\$ 468,966
Licenses and permits	5,321,886	5,321,886	5,813,974	492,088
Intergovernmental	3,423,625	3,922,953	2,738,744	(1,184,209)
Charges for services	1,667,707	1,667,707	1,897,946	230,239
Investment earnings	150,000	150,000	433,036	283,036
Miscellaneous	59,297	59,297	246,546	187,249
Total revenues	<u>26,651,132</u>	<u>27,150,460</u>	<u>27,627,829</u>	<u>477,369</u>
EXPENDITURES				
Current:				
General government	3,329,930	3,329,930	3,464,451	(134,521)
Public safety	13,055,246	13,055,246	12,497,013	558,233
Highways and streets	3,330,594	3,330,594	2,636,008	694,586
Sanitation	1,416,795	1,416,795	1,459,345	(42,550)
Health and welfare	157,378	157,378	164,253	(6,875)
Culture and recreation	1,552,350	1,552,350	1,568,554	(16,204)
Conservation	9,231	9,231	11,773	(2,542)
Debt service:				
Principal	390,000	390,000	390,000	-
Interest	33,366	33,366	33,365	1
Capital outlay	4,102,751	4,602,079	3,649,302	952,777
Total expenditures	<u>27,377,641</u>	<u>27,876,969</u>	<u>25,874,064</u>	<u>2,002,905</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(726,509)</u>	<u>(726,509)</u>	<u>1,753,765</u>	<u>2,480,274</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,983,809	1,983,809	1,445,729	(538,080)
Transfers out	(1,707,300)	(1,707,300)	(1,707,300)	-
Total other financing sources (uses)	<u>276,509</u>	<u>276,509</u>	<u>(261,571)</u>	<u>(538,080)</u>
Net change in fund balances	<u>\$ (450,000)</u>	<u>\$ (450,000)</u>	1,492,194	<u>\$ 1,942,194</u>
Decrease in nonspendable fund balance			30,424	
Increase in assigned for contingency			(750,000)	
Unassigned fund balance, beginning			<u>7,240,738</u>	
Unassigned fund balance, ending			<u>\$ 8,013,356</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, 2018

	Business-type Activities
	Enterprise Fund (Sewer Department)
ASSETS	
Cash and cash equivalents	\$ 2,697,274
Investments	244,765
Accounts receivable	929,800
Intergovernmental receivables	883,271
Capital assets, not being depreciated:	
Land	238,770
Capital assets, net of accumulated depreciation:	
Buildings and systems	40,668,233
Improvements other than buildings	3,947
Machinery, equipment, and furnishings	896,460
Total assets	46,562,520
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	333,161
Deferred amounts related to OPEB	15,608
Total deferred outflows of resources	348,769
LIABILITIES	
Current liabilities:	
Accounts payable	142,659
Accrued salaries and benefits	49,455
Accrued interest payable	60,013
Noncurrent liabilities:	
Due within one year:	
Notes payable	666,990
Due in more than one year:	
Notes payable	6,812,936
Compensated absences	73,285
Net pension liability	1,448,671
Other postemployment benefits	102,583
Total liabilities	9,356,592
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	64,825
Deferred amounts related to OPEB	324
Unavailable revenue	821,396
Total deferred inflows of resources	886,545
NET POSITION	
Net investment in capital assets	34,327,484
Restricted for capital reserve funds	204,380
Unrestricted	2,136,288
Total net position	\$ 36,668,152

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, 2018

	Business-type Activities
	Enterprise Fund (Sewer Department)
Operating revenues:	
User charges	\$ 4,549,710
Miscellaneous	11,309
Total operating revenues	4,561,019
Operating expenses:	
Salaries and wages	1,763,297
Operation and maintenance	1,923,204
Depreciation	1,341,896
Total operating expenses	5,028,397
Operating loss	(467,378)
Nonoperating revenue:	
Intergovernmental grants	136,126
Interest income	43,490
Interest expense	(153,652)
Total nonoperating revenues	25,964
Change in net position	(441,414)
Net position, beginning, as restated (see Note 18)	37,109,566
Net position, ending	\$ 36,668,152

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, 2018

Cash flows from operating activities:	
Receipts from customers and users	\$ 4,686,429
Payments to employees and suppliers	<u>(3,618,616)</u>
Net cash provided by operating activities	<u>1,067,813</u>
Cash flows from capital and related financing activities:	
Principal paid on bonds	(666,990)
Acquisition and construction of capital assets	(257,337)
Interest paid	(158,853)
Intergovernmental reimbursements	<u>39,561</u>
Net cash used by capital and related financing activities	<u>(1,043,619)</u>
Cash flows from investing activities:	
Change in investment balances	59,469
Interest received	<u>80,606</u>
Net cash provided by investing activities	<u>140,075</u>
Net increase in cash	164,269
Cash, beginning	<u>2,533,005</u>
Cash, ending	<u>\$ 2,697,274</u>

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

Operating loss	<u>\$ (467,378)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	1,341,896
Decrease in other receivables	46,132
Increase in accounts payable	62,031
Increase in accrued salaries and benefits	27,197
Decrease in retainage payable	(2,301)
Decrease in net pension liability and deferred outflows and inflows of resources related to pensions	(17,514)
Decrease in net pension liability and deferred outflows and inflows of resources related to OPEB	(1,528)
Increase in deferred inflows of resources	<u>79,278</u>
Total adjustments	<u>1,535,191</u>
Net cash provided by operating activities	<u>\$ 1,067,813</u>

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

EXHIBIT F-1
TOWN OF MERRIMACK, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
June 30, 2018

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 15,013	\$ 2,096,376
Investments	203,634	8,082,813
Total assets	<u>218,647</u>	<u>10,179,189</u>
LIABILITIES		
Intergovernmental payables	<u>-</u>	<u>10,179,189</u>
NET POSITION		
Held in trust for specific purposes	<u>\$ 218,647</u>	<u>\$ -</u>

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

EXHIBIT F-2
TOWN OF MERRIMACK, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust
ADDITIONS	
New funds	\$ 11,700
Interest	5,010
Change in fair market value	10,962
Total revenue	27,672
DEDUCTIONS	
Trust distributions	9,025
Change in net position	18,647
Net position, beginning	200,000
Net position, ending	\$ 218,647

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, 2018

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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, 2018

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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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Merrimack, New Hampshire (the Town), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2018, the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which changed the way other postemployment benefit (OPEB) liabilities and related expenses are recorded. See Note 2-C for further information on this pronouncement.

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 Basis of Accounting, and Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The Town’s government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Town’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

Governmental Fund Financial Statements – Include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for the major governmental fund and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

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, with the exception of reimbursement-based grants, which use a period of one year. 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. Only the portion of special

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assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current 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.

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, *Fund Balance Reporting and Governmental Fund Type Definitions* guidance, the other special revenue funds and expendable trust funds are consolidated in the general fund.

Additionally, the Town reports the following fund types:

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

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

Permanent Fund – is used to record activity of legal trusts for which the interest on the corpus provides funds for the Town’s cemetery and fire prevention operations.

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

Proprietary Fund Financial Statements – Include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for the major proprietary fund.

Proprietary funds are reported using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Town reports the following major proprietary fund:

Sewer Fund – accounts for the activities related to the operation of the sewer treatment plant, pumping stations, and sewer lines.

Fiduciary Fund Financial Statements – Include a Statement of Net Position and a Statement of Changes in Net Position. These funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

The Town reports the following fiduciary funds:

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

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Agency Fund – is custodial in nature and does 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.

1-C 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-D Statement of Cash Flows

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

1-E Investments

The Town’s investment policy dictates the nature of investments that may be used, which vary depending on the fund’s type. For capital and other reserve funds, the purpose of investments shall be to maintain principal and provide liquidity, due to the expendable nature and short-term time horizon of the funds. The Trustees of Trust Funds are aware that meeting these objectives may restrict the level of yield attainable.

For the Town’s non-expendable (endowment type) funds, such as privately donated gifts, legacies, and perpetual care, the Town’s investment policy states that all funds shall be invested on a total return basis; that is, the aggregate return from capital appreciation and dividend and interest income. The specific investment objective is to meet or exceed the long-term rate of inflation (as measured by the CPI) by 3.0%. The goal of the fund’s nonspendable equity component is to meet or exceed the S&P 500 Index total return over a full market cycle. The goal of the fund’s spendable income component is to meet or exceed the return of the Barclays Intermediate Government/Credit Bond Fund Index over a full market cycle.

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.

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by U.S. GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

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

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Level 2 – Inputs are other than quoted prices that are observable for the assets or liabilities, 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 New Hampshire Public Deposit Investment Pool (NHPDIP) are 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.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Investments in Certain External Investment Pools – In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the 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.

1-F 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-G 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 expendable materials, supplies, and fuel held for consumption. The cost is recorded as an expenditure/expense when consumed rather than when purchased.

1-H Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

1-I Capital Assets

Capital assets include property, plant, and equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) which are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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 government-wide Statement of Net Position. Capital assets of the proprietary fund are capitalized in the fund and the cost basis for proprietary fund capital assets is the same as that used for general capital assets.

Capital assets are defined by the Town as assets with an initial, individual cost of \$10,000 or more and an estimated useful life in excess of one year. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value.

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The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

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

1-J 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 the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 5, 2017 and November 3, 2017, and were due on July 3, 2017 and December 13, 2017. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

Property tax receivables are recognized on the levy or lien date, which is the date the tax warrant is issued. Current year property tax receivables represent taxes levied but not remitted to the Town at June 30, 2018 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the Town to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. Although the succeeding year property tax receivables have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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, 2017 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 3,248,052,506
For all other taxes	\$ 3,382,236,206

The tax rates and amounts assessed for the year ended June 30, 2018 were as follows:

	<u>Per \$1,000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal portion	\$4.90	\$ 16,577,003
School portion:		
State of New Hampshire	\$2.16	7,008,220
Local	\$15.10	51,085,892
County portion	\$1.21	4,081,908
Total	<u>\$23.37</u>	<u>\$ 78,753,023</u>

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1-L 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, 2018.

1-M Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance 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. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

1-N Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund Statements of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

1-O Compensated Absences

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

1-P Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as an expense when the related liabilities are incurred.

1-Q Postemployment Benefits Other Than Pensions (OPEB)

The Town maintains two separate other postemployment benefit plans, as follows:

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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Single Employer Plan – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the Town’s actuarial report. For this purpose, benefit payments are recognized when payable in accordance with benefit terms.

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

1-S Net Position/Fund Balances

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

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

Restricted net position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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 are more transparent. The following classifications describe the relative strength of the spending constraints:

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

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

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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.

Based on its adopted fund balance policy, the Town strives to maintain an unassigned fund balance of not less than 4% and not higher than 8% of the gross municipal appropriations, plus net school district appropriations, as approved for a fiscal year. This excludes any appropriations for capital projects or improvements funded entirely by bonds/notes proceeds, operating transfers, or other financing sources.

1-T 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 capital 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 U.S. 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 2018, \$450,000 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)	\$ 29,073,558
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	24,266
To eliminate transfers between blended funds	<u>(1,445,729)</u>
Per Exhibit C-3 (GAAP basis)	<u>\$ 27,652,095</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 27,581,364
Adjustment:	
Basis differences:	
Encumbrances, beginning	1,360,846
Encumbrances, ending	(888,116)
GASB Statement No. 54:	
To record expendable trust expenditures during the year	10,000
To eliminate transfers between general and expendable trust funds	<u>(1,707,000)</u>
Per Exhibit C-3 (GAAP basis)	<u>\$ 26,357,094</u>

2-C Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, deferred inflows and outflows of resources, as follows:

	Local OPEB	State OPEB	Total OPEB
Change in total OPEB liability under current standards	\$ (583,024)	\$ (1,999,186)	\$ (2,582,210)
Initial balance of deferred outflows of resources	-	260,311	260,311
Cumulative restatement related to GASB No. 75 implementation (see Note 18)	<u>\$ (583,024)</u>	<u>\$ (1,738,875)</u>	<u>\$ (2,321,899)</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$53,963,027 and the bank balances totaled \$54,997,709. Petty cash totaled \$1,281.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 51,851,638
Cash per Statement of Net Position-Fiduciary Funds (Exhibit F-1)	2,111,389
Total cash and cash equivalents	<u>\$ 53,963,027</u>

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NOTE 4 – INVESTMENTS

Note 1-E 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. The Town has the following recurring value measurements and maturities as of June 30, 2018:

	Valuation Measurement		1-5 Years	Cost	Total
	Method	Fair Value			
Investments type:					
New Hampshire Public Deposit Investment Pool	Level 2	\$ 396,651	\$ -	\$ -	\$ 396,651
Certificates of deposit	Level 1	-	30,064	-	30,064
Mutual funds	Level 1	11,927	-	-	11,927
Fixed income	Level 1	9,431,948	-	-	9,431,948
Equities	Level 1	5,005,658	-	-	5,005,658
Alternatives	Level 1	550,660	-	-	550,660
Land	N/A	-	-	1,575	1,575
Total fair value		<u>\$ 15,396,844</u>	<u>\$ 30,064</u>	<u>\$ 1,575</u>	<u>\$ 15,428,483</u>

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town’s investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – This is the risk that the issuer of an investment will not fulfill their obligation to the holder of the investment. The Town has no formal policy on managing credit risk; however, state law limits investments as explained in Note 1-E. As of June 30, 2018, the Town did not directly hold any securities. All such investments are maintained in investment pools or mutual funds.

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)	\$ 7,142,036
Investments per Statement of Net Position-Fiduciary Funds (Exhibit F-1)	<u>8,286,447</u>
Total investments	<u><u>\$ 15,428,483</u></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, 2018. The amount has been reduced by an allowance for an estimated uncollectible amount of \$223,252. Taxes receivable by year are as follows:

Property:	
Levy of 2018	\$ 8,515,178
Unredeemed (under tax lien):	
Levy of 2017	369,288
Levy of 2016	173,887
Levies of 2015 and prior	176,889
Welfare liens receivable	54,154
Yield	673
Less: allowance for estimated uncollectible taxes	<u>(223,252)</u>
Net taxes receivable	<u><u>\$ 9,066,817</u></u>

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NOTE 6 – OTHER RECEIVABLES

Receivables at June 30, 2018, 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, 2018 for the Town’s individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Nonmajor Funds	Proprietary Sewer Fund	Total
Receivables:				
Accounts	\$ 1,059,801	\$ 98,226	\$ 929,800	\$ 2,087,827
Intergovernmental	454,946	-	883,271	1,338,217
Gross receivables	<u>1,514,747</u>	<u>98,226</u>	<u>1,813,071</u>	<u>3,426,044</u>
Less: allowance for uncollectibles	(360,703)	-	-	(360,703)
Net total receivables	<u>\$ 1,154,044</u>	<u>\$ 98,226</u>	<u>\$ 1,813,071</u>	<u>\$ 3,065,341</u>

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 is as follows:

	Balance, beginning	Additions	Disposals	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 17,296,636	\$ -	\$ -	\$ 17,296,636
Construction in progress	729,457	1,213,065	-	1,942,522
Total capital assets not being depreciated	<u>18,026,093</u>	<u>1,213,065</u>	<u>-</u>	<u>19,239,158</u>
Being depreciated:				
Improvements other than buildings	1,938,736	-	-	1,938,736
Buildings and building improvements	8,785,813	-	-	8,785,813
Machinery, equipment, and furnishings	12,777,547	582,410	(154,185)	13,205,772
Infrastructure	90,112,446	755,980	(197,785)	90,670,641
Total capital assets being depreciated	<u>113,614,542</u>	<u>1,338,390</u>	<u>(351,970)</u>	<u>114,600,962</u>
Total all capital assets	<u>131,640,635</u>	<u>2,551,455</u>	<u>(351,970)</u>	<u>133,840,120</u>
Less accumulated depreciation:				
Improvements other than buildings	(1,139,113)	(48,395)	-	(1,187,508)
Buildings and building improvements	(4,479,215)	(199,185)	-	(4,678,400)
Machinery, equipment, and furnishings	(9,986,913)	(746,055)	131,781	(10,601,187)
Infrastructure	(48,335,160)	(1,788,005)	179,540	(49,943,625)
Total accumulated depreciation	<u>(63,940,401)</u>	<u>(2,781,640)</u>	<u>311,321</u>	<u>(66,410,720)</u>
Net book value, capital assets being depreciated	49,674,141	(1,443,250)	(40,649)	48,190,242
Net book value, all governmental activities capital assets	<u>\$ 67,700,234</u>	<u>\$ (230,185)</u>	<u>\$ (40,649)</u>	<u>\$ 67,429,400</u>

(Continued)

TOWN OF MERRIMACK, NEW HAMPSHIRE
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Capital assets continued:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, ending</u>
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 238,770	\$ -	\$ -	\$ 238,770
Being depreciated:				
Buildings and systems	68,723,352	-	-	68,723,352
Improvements other than buildings	412,390	-	-	412,390
Machinery, equipment, and furnishings	6,128,498	257,337	(91,163)	6,294,672
Total capital assets being depreciated	<u>75,264,240</u>	<u>257,337</u>	<u>(91,163)</u>	<u>75,430,414</u>
Total all capital assets	<u>75,503,010</u>	<u>257,337</u>	<u>(91,163)</u>	<u>75,669,184</u>
Less accumulated depreciation:				
Buildings and systems	(26,818,407)	(1,236,712)	-	(28,055,119)
Improvements other than buildings	(406,469)	(1,974)	-	(408,443)
Machinery, equipment, and furnishings	(5,349,052)	(103,210)	54,050	(5,398,212)
Total accumulated depreciation	<u>(32,573,928)</u>	<u>(1,341,896)</u>	<u>54,050</u>	<u>(33,861,774)</u>
Net book value, capital assets being depreciated	<u>42,690,312</u>	<u>(1,084,559)</u>	<u>(37,113)</u>	<u>41,568,640</u>
Net book value, all business-type activities capital assets	<u>\$ 42,929,082</u>	<u>\$ (1,084,559)</u>	<u>\$ (37,113)</u>	<u>\$ 41,807,410</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	\$ 54,032
Public safety	393,321
Highways and streets	2,122,662
Sanitation	117,686
Culture and recreation	93,939
	<u>2,781,640</u>
Business-type activities:	
Sewer	1,341,896
Total depreciation expense	<u>\$ 4,123,536</u>

NOTE 8 – ACCRUED LIABILITIES

Accrued liabilities reported by governmental and proprietary funds at June 30, 2018, were as follows:

	<u>General Fund</u>	<u>Proprietary Sewer Fund</u>
Salary and employee benefits	\$ 319,802	\$ -
Current portion of compensated absences	643,557	49,455
Total accrued liabilities	<u>\$ 963,359</u>	<u>\$ 49,455</u>

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NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$10,272,930 at June 30, 2018 consist of the following:

General fund:	
Amount due to the New Hampshire Retirement System	\$ 83,741
Amount due to the Merrimack School District	10,000
Total general fund	<u>93,741</u>
Agency fund:	
Amounts held for School District	4,637,547
Amounts held for Village District	5,541,642
Total agency fund	<u>10,179,189</u>
Total intergovernmental payables due	<u>\$ 10,272,930</u>

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

	Entity-wide Basis		Governmental Funds	
	Governmental	Business-type	General	Other
	Activities	Activities		Governmental
Deferred amounts related to pensions (see Note 12)	\$ 6,188,708	\$ 333,161	\$ -	\$ -
Deferred amounts related to OPEB (see Note 13)	289,924	15,608	-	-
Total deferred inflows of resources	<u>\$ 6,478,632</u>	<u>\$ 348,769</u>	<u>\$ -</u>	<u>\$ -</u>

Deferred inflows of resources are as follows:

	Entity-wide Basis		Governmental Funds	
	Governmental	Business-type	General	Other
	Activities	Activities		Governmental
Unavailable revenues	\$ 211,326	\$ 821,396	\$ 201,326	\$ 10,000
Deferred amounts related to pensions (see Note 12)	1,204,176	64,825	-	-
Deferred amounts related to OPEB (see Note 13)	6,013	324	-	-
Unavailable tax revenue	39,730,546	-	40,159,820	-
Total deferred inflows of resources	<u>\$ 41,152,061</u>	<u>\$ 886,545</u>	<u>\$ 40,361,146</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, 2018:

	Balance at July 1, 2017 (as restated)	Additions	Reductions	Balance at June 30, 2018	Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 1,085,000	\$ 3,048,875	\$ (390,000)	\$ 3,743,875	\$ 283,875
Bond premium	-	251,125	-	251,125	12,556
Total bonds payable	1,085,000	3,300,000	(390,000)	3,995,000	296,431
Compensated absences	1,162,594	-	(122,018)	1,040,576	-
Accrued landfill postclosure care costs	528,000	12,000	-	540,000	24,000
Net pension liability	27,278,558	-	(368,334)	26,910,224	-
Other postemployment benefits	3,531,804	71,492	-	3,603,296	-
Total long-term liabilities	<u>\$ 33,585,956</u>	<u>\$ 3,383,492</u>	<u>\$ (880,352)</u>	<u>\$ 36,089,096</u>	<u>\$ 320,431</u>

(Continued)

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Long-term liabilities continued:

	Balance at July 1, 2017 (as restated)	Additions	Reductions	Balance at June 30, 2018	Due Within One Year
Business-type activities:					
General obligation notes payable	\$ 8,146,916	\$ -	\$ (666,990)	\$ 7,479,926	\$ 666,990
Compensated absences	18,504	54,781	-	73,285	-
Net pension liability	1,548,548	-	(99,877)	1,448,671	-
Other postemployment benefits	102,125	458	-	102,583	-
Total long-term liabilities	<u>\$ 9,816,093</u>	<u>\$ 55,239</u>	<u>\$ (766,867)</u>	<u>\$ 9,104,465</u>	<u>\$ 666,990</u>

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

	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2018	Current Portion
Governmental activities:					
General obligation bonds payable:					
Drainage improvement	2007	2023	4.47	\$ 695,000	\$ 125,000
Highway garage	2018	2038	2.86	3,048,875	158,875
				<u>3,743,875</u>	<u>283,875</u>
Bond premium				251,125	12,556
Total				<u>\$ 3,995,000</u>	<u>\$ 296,431</u>
Business-type activities:					
General obligation notes payable:					
Interceptor repair	2012	2019	1.94	\$ 167,468	\$ 55,823
Dewatering upgrade	2013	2022	1.70	1,053,874	263,468
Water pollution	2017	2036	2.00	6,258,584	347,699
Total				<u>\$ 7,479,926</u>	<u>\$ 666,990</u>

The annual requirements to amortize all *governmental activities* bonds outstanding as of June 30, 2018, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 283,875	\$ 159,751	\$ 443,626
2020	285,000	144,915	429,915
2021	295,000	130,435	425,435
2022	300,000	115,761	415,761
2023	310,000	100,731	410,731
2024-2028	770,000	366,675	1,136,675
2029-2033	750,000	192,375	942,375
2034-2038	750,000	71,438	821,438
Totals	<u>\$ 3,743,875</u>	<u>\$ 1,282,081</u>	<u>\$ 5,025,956</u>

The *governmental activities* 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.

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The annual requirements to amortize all *business-type activities* notes outstanding as of June 30, 2018, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	347,699	97,356	445,055
2024-2028	1,738,495	382,469	2,120,964
2029-2033	1,738,495	208,619	1,947,114
2034-2036	1,043,099	104,310	1,147,409
Totals	<u>\$ 7,479,926</u>	<u>\$ 1,303,005</u>	<u>\$ 8,782,931</u>

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 the date the landfill no longer accepts waste. The estimated liability for landfill postclosure care costs has a balance of \$540,000 as of June 30, 2018. The estimated total current cost of the landfill postclosure care 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, 2018. 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, 2018 were as follows:

Original Loan Agreement	Purpose	Unissued Amount
August 8, 2012	Water Pollution Control Revolving Loan Fund Program	<u>\$ 158,631</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 within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

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

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.

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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 and 11.80% for firefighters. All other employees are required to contribute 7% of earnable compensation. For fiscal year 2018, the Town contributed 25.33% for police, 27.79% for firefighters, and 11.08% for other employees. The contribution requirement for the fiscal year 2018 was \$2,287,744, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2018 the Town reported a liability of \$26,910,254 in the governmental activities and \$1,448,671 in the business-type activities for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the Town’s proportion was 0.58% which was an increase of 0.04% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$824,894 in the governmental activities and (\$17,514) in the business-type activities. At June 30, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 1,200,660	\$ 518,971	\$ 64,636	\$ 27,938
Changes in assumption	2,702,141	-	145,466	-
Differences between expected and actual experience	61,016	342,490	3,285	18,437
Net difference between projected and actual investment earnings on pension plan investments	-	342,715	-	18,450
Contributions subsequent to the measurement date	2,224,891	-	119,774	-
Total	<u>\$ 6,188,708</u>	<u>\$ 1,204,176</u>	<u>\$ 333,161</u>	<u>\$ 64,825</u>

The \$2,224,891 in the governmental activities and \$119,774 in the business-type activities reported as deferred outflows of resources related to pensions results from the 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, 2018. 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,	
2018	\$ 651,962
2019	1,330,784
2020	1,095,610
2021	(170,153)
Totals	<u>\$ 2,908,203</u>

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Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions which, accordingly apply to 2017 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, 2016 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. Following is a table presenting target allocations and long-term rates of return for 2017:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2017</u>
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	<u>30.00%</u>	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	<u>20.00%</u>	
Core Bonds	5.00%	0.75%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	2.11%
Absolute Return Fixed Income	7.00%	1.26%
Total fixed income	<u>25.00%</u>	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.84%
Total alternative investments	<u>15.00%</u>	
Real estate	10.00%	3.25%
Total	<u><u>100.00%</u></u>	

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.

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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	\$ 37,361,421	\$ 28,358,895	\$ 20,981,681

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 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

In accordance with the Town's adoption of GASB Statement No. 75 (see Note 2-C), the Town now reports two separate OPEB liabilities: a State component related to the Town's share of the NHRS liability, and a local component related to the Town's health plan. The State OPEB liability is measured and reported as of June 30, 2017, with the Town's 2018 contributions being reported as deferred outflows of resources. The local OPEB liability is measured and reported as of June 30, 2018, and thus has no deferred outflows of resources as a result of contributions subsequent to the measurement date. Additional information pertaining to each of the Town's OPEB liabilities is detailed as follows:

13-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2017 Comprehensive Annual Financial Report, which can be found on the System's website at www.nhrs.org.

Benefits Provided – Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal years 2017 and 2016 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2017, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish,

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amend, and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2018, the Town contributed 4.10% for police and firefighters, and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$267,376, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2018, the Town reported a liability of \$1,905,564 in the governmental activities and \$102,583 in the business-type activities for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2017, the Town’s proportion was 0.44%, which was an increase of 0.03% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized OPEB expense of (\$28,395) in the governmental activities and (\$1,528) in the business-type activities. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 36,207	\$ -	\$ 1,950	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	6,013	-	324
Contributions subsequent to the measurement date	253,717	-	13,658	-
Total	<u>\$ 289,924</u>	<u>\$ 6,013</u>	<u>\$ 15,608</u>	<u>\$ 324</u>

The \$253,717 in the governmental activities and \$13,658 in the business-type activities reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending <u>June 30,</u>	
2018	\$ 36,573
2019	(1,584)
2020	(1,584)
2021	(1,585)
Totals	<u>\$ 31,820</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2016 and a measurement date of June 30, 2017. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.5 % per year
Wage inflation:	3.25 % per year
Salary increases:	5.6 % average, including inflation
Investment rate of return:	7.25 % net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

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

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The actuarial assumptions used in the June 30, 2016 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 OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

Following is a table presenting target allocations and long-term rates of return for 2017:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2017</u>
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	<u>30.00%</u>	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	<u>20.00%</u>	
Core Bonds	5.00%	0.75%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	2.11%
Absolute Return Fixed Income	7.00%	1.26%
Total fixed income	<u>25.00%</u>	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.84%
Total alternative investments	<u>15.00%</u>	
Real estate	10.00%	3.25%
Total	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2017 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the Town’s Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the OPEB liability calculated using the discount rate of 7.25% as well as what the Town’s proportionate share of the OPEB 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, 2017	\$ 2,185,461	\$ 2,008,147	\$ 1,854,517

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

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13-B Town of Merrimack Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their post-employment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

Benefits Provided – The Town provides postemployment healthcare benefits for certain eligible retirees. The Town provides medical benefits to its eligible retirees. The benefits are provided through the New Hampshire HealthTrust.

Employees Covered by Benefit Terms – At July 1, 2016 the following employees were covered by the benefit terms:

Active employees	175
Retired employees	<u>66</u>
Total participants covered by OPEB plan	<u><u>241</u></u>

Total OPEB Liability – The Town’s total OPEB liability of \$1,697,732 was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$1,697,732 in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	3.5%
Healthcare Cost Trend Rates:	
Current Year Trend	8.0%
Second Year Trend	7.5%
Decrement	0.5%
Ultimate Trend	5.0%
Year Ultimate Trend is Reached	2025
Salary Increases:	3.0%

The discount rate is based on the prescribed discount interest rate methodology under GASB Statement No. 74/75 based on an average of three 20-year bond indices as of June 30, 2018.

Mortality rates were based on the RP 2014 Health Male and Female Tables which are based on the Employee and Healthy Annuitant Tables for both pre and post retirement projected with mortality improvements using Projection Scale AA for 3.5 years (i.e., from date of table to the valuation date), plus ten (10) years additional mortality improvement. This reflects an update to a more current mortality table compared to the prior valuation.

Changes in the Total OPEB Liability

	<u>June 30, 2018</u>
Total OPEB liability beginning of year, as restated	\$ 1,634,743
Changes for the year:	
Service cost	5,773
Interest	<u>57,216</u>
Total OPEB liability end of year	<u><u>\$ 1,697,732</u></u>

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Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate – The July 1, 2017 actuarial valuation was prepared using a discount rate of 3.5%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$1,592,484 or by 6.2%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$1,820,953 or by 7.3%.

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Baseline 3.5%</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 1,820,953</u>	<u>\$ 1,697,732</u>	<u>\$ 1,592,484</u>

Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2016 actuarial valuation was prepared using an initial trend rate of 8.0%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$1,850,768 or by 9.0%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$1,574,813 or by 7.2%.

	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>	<u>Baseline 8.0%</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 1,574,813</u>	<u>\$ 1,697,732</u>	<u>\$ 1,850,768</u>

OPEB Expense – For the year ended June 30, 2018, the Town recognized OPEB expense of \$62,989.

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, 2018 and are as follows:

General fund:	
General government	\$ 171,154
Public safety	114,839
Highways and streets	309,994
Sanitation	10,060
Culture and recreation	105,863
Capital outlay	<u>176,206</u>
Total encumbrances	<u>\$ 888,116</u>

NOTE 15 – STATE AID TO WATER POLLUTION PROJECTS

The Town is due to receive from the State of New Hampshire the following amounts in the form of state aid to water pollution projects:

	<u>Bond Issued</u>	<u>Amount</u>
State Aid Grant C-869 WWTF Dewatering Upgrade		<u>\$ 622,207</u>

Under New Hampshire RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At June 30, 2018 the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2019	\$ 69,134	\$ 10,577	\$ 79,711
2020	69,134	9,402	78,536
2021	69,134	8,227	77,361
2022	69,134	7,052	76,186
2023	69,134	5,876	75,010
2024-2027	276,537	11,753	288,290
Totals	<u>\$ 622,207</u>	<u>\$ 52,887</u>	<u>\$ 675,094</u>

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NOTE 16 – NET POSITION

Governmental and business-type activities net position reported on the government-wide Statement of Net Position at June 30, 2018 includes the following:

	<u>Governmental Activities</u>	<u>Proprietary Fund</u>	<u>Total</u>
Net investment in capital assets:			
Net property, buildings, and equipment	\$ 67,429,400	\$ 41,807,410	\$ 109,236,810
Less:			
General obligation bonds/notes payable	(3,743,875)	(7,479,926)	(11,223,801)
Unamortized bond premiums	(251,125)	-	(251,125)
Total net investment in capital assets	<u>63,434,400</u>	<u>34,327,484</u>	<u>97,761,884</u>
Restricted net position:			
Permanent funds:			
Nonspendable (principal)	1,587,475	-	1,587,475
Expendable (interest)	1,290,689	-	1,290,689
Capital project funds	2,861,345	-	2,861,345
Library purposes	149,250	-	149,250
Sewer reserve funds	-	204,380	204,380
Total restricted	<u>5,888,759</u>	<u>204,380</u>	<u>6,093,139</u>
Unrestricted	<u>(9,102,537)</u>	<u>2,136,288</u>	<u>(6,966,249)</u>
Total net position	<u>\$ 60,220,622</u>	<u>\$ 36,668,152</u>	<u>\$ 96,888,774</u>

NOTE 17 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2018 include the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Inventory	\$ 158,428	\$ -	\$ 158,428
Prepaid items	15,061	-	15,061
Long-term receivable	612,496	-	612,496
Nonexpendable portion permanent funds	-	1,587,475	1,587,475
Total nonspendable	<u>785,985</u>	<u>1,587,475</u>	<u>2,373,460</u>
Restricted:			
Cable television	-	836,453	836,453
Capital projects	650,000	3,434	653,434
Library fines	-	149,250	149,250
Conservation	-	44,583	44,583
Current use	-	714,227	714,227
Expendable portion permanent funds	-	1,290,689	1,290,689
Fire protection	-	76,473	76,473
Heritage	-	18,967	18,967
Highway garage capital project	-	2,857,911	2,857,911
Recreation revolving	-	50,493	50,493
Total restricted	<u>650,000</u>	<u>6,042,480</u>	<u>6,692,480</u>
Committed:			
Capital reserve funds	<u>4,526,154</u>	-	<u>4,526,154</u>

(Continued)

TOWN OF MERRIMACK, NEW HAMPSHIRE
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Governmental fund balances continued:

	General Fund	Other Governmental Funds	Total Governmental Funds
Assigned:			
Encumbrances	888,116	-	888,116
Contingency	750,000	-	750,000
Total assigned	<u>1,638,116</u>	<u>-</u>	<u>1,638,116</u>
Unassigned:			
General	8,013,356	-	8,013,356
Total fund balance	<u>\$ 15,613,611</u>	<u>\$ 7,629,955</u>	<u>\$ 23,243,566</u>

NOTE 18 – PRIOR PERIOD ADJUSTMENTS

Net position at July 1, 2017 was restated to give retroactive effect to the following prior period adjustments:

	Governmental Activities	Proprietary Fund
To record the NHRS OPEB liability and related deferred outflows in accordance with the implementation of GASB Statement No. 75 (see Note 2-C)	\$ (1,650,048)	\$ (88,827)
To restate the Town's OPEB liability in accordance with the implementation of GASB Statement No. 75 (see Note 2-C)	(583,024)	-
Net position, as previously reported	<u>62,336,984</u>	<u>37,198,393</u>
Net position, as restated	<u>\$ 60,103,912</u>	<u>\$ 37,109,566</u>

NOTE 19 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2018, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

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, 2017 to June 30, 2018 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 workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 20 – CONTINGENT LIABILITIES

There are various legal claims and suits pending against the Town which arose in the normal course of the Town'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.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 21 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through December 26, 2018, the date the June 30, 2018 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G
TOWN OF MERRIMACK, NEW HAMPSHIRE
Schedule of 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, 2018

	June 30,				
	2014	2015	2016	2017	2018
Town's proportion of the net pension liability	0.56%	0.57%	0.55%	0.54%	0.58%
Town's proportionate share of the net pension liability	\$ 24,263,901	\$ 21,330,687	\$ 21,818,453	\$ 28,827,106	\$ 28,358,895
Town's covered payroll	\$ 9,390,075	\$ 9,578,569	\$ 10,375,880	\$ 10,921,043	\$ 12,177,537
Town's proportionate share of the net pension liability as a percentage of its covered payroll	258.40%	222.69%	210.28%	263.96%	232.88%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

EXHIBIT H
TOWN OF MERRIMACK, NEW HAMPSHIRE
Schedule of Town Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

	June 30,				
	2014	2015	2016	2017	2018
Contractually required contribution	\$ 1,401,861	\$ 1,843,615	\$ 1,847,730	\$ 1,941,175	\$ 2,112,466
Contributions in relation to the contractually required contributions	<u>1,401,861</u>	<u>1,843,615</u>	<u>1,847,730</u>	<u>1,941,175</u>	<u>2,112,466</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	<u>\$ 9,390,075</u>	<u>\$ 9,578,569</u>	<u>\$ 10,375,880</u>	<u>\$ 10,921,043</u>	<u>\$ 12,177,537</u>
Contributions as a percentage of covered payroll	14.93%	19.25%	17.81%	17.77%	17.35%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

TOWN OF MERRIMACK, NEW HAMPSHIRE

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY**

**FOR THE FISCAL YEAR ENDED
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***Schedule of the Town’s Proportionate Share of Net Pension Liability and
Schedule of Town Contributions - Pensions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the Town’s pension plan at June 30, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2017:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	22 years beginning July 1, 2017 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes; 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.56% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
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 Healthy Annuitant and Employee generational mortality table for males and females with credibility adjustments, adjusted for mortality improvements using Scale MP -2015, based in the last experience study.

Other Information:

Notes Contribution rates for Fiscal Year 2017 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.

EXHIBIT I
TOWN OF MERRIMACK, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefit Plan Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

	June 30,	
	2017	2018
Town's proportion of the net OPEB liability	0.41%	0.44%
Town's proportionate share of the net OPEB liability (asset)	\$ 1,999,186	\$ 2,008,147
Town's covered payroll	\$ 10,921,043	\$ 12,177,537
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	18.31%	16.49%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT J
TOWN OF MERRIMACK, NEW HAMPSHIRE
Schedule of Town Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

	June 30,	
	2017	2018
Contractually required contribution	\$ 239,958	\$ 260,311
Contributions in relation to the contractually required contribution	<u>239,958</u>	<u>260,311</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	<u>\$ 10,921,043</u>	<u>\$ 12,177,537</u>
Contributions as a percentage of covered payroll	2.20%	2.14%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT K
TOWN OF MERRIMACK, NEW HAMPSHIRE
Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios
Town of Merrimack Single Employer Defined Contribution Plan
For the Fiscal Year Ended June 30, 2018

	June 30, 2018
OPEB liability, beginning of year	\$ 1,634,743
Changes for the year:	
Service cost	5,773
Interest	57,216
OPEB liability, end of year	\$ 1,697,732
Covered payroll	\$ 23,308,996
Total OPEB liability as a percentage of covered payroll	7.28%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

Schedule of the Town’s Proportionate Share of Net Other Postemployment Benefits Liability and Schedule of Town Contributions – Other Postemployment Benefits

As required by GASB Statement No. 75, Exhibits I and J represent the actuarial determined costs associated with the Town’s other postemployment benefits at June 30, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market for funding purposes: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.56% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
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 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

Schedule of Changes in Town’s Total Other Postemployment Benefits Liability and Related Ratios

As required by GASB Statement No. 75, Exhibit K represents the actuarial determined costs associated with the Town’s other postemployment benefits at June 30, 2018. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Summary of Assumptions:

Discount Rate	3.5%																
Actuarial Cost Method	Entry Age Normal as a Level Percentage of Payroll																
Health Care Cost Trend Assumptions	The following assumptions are used for annual healthcare cost inflation (trend):																
	<table border="1"> <thead> <tr> <th></th> <th style="text-align: center;">Year</th> <th style="text-align: center;">Pre-65</th> <th style="text-align: center;">Post 65</th> </tr> </thead> <tbody> <tr> <td>Year 1 Trend</td> <td style="text-align: center;">July 1, 2019</td> <td style="text-align: center;">8.0%</td> <td style="text-align: center;">8.0%</td> </tr> <tr> <td>Ultimate Trend</td> <td style="text-align: center;">July 1, 2025 & Later</td> <td style="text-align: center;">5.0%</td> <td style="text-align: center;">5.0%</td> </tr> <tr> <td>Grading Per Year</td> <td></td> <td style="text-align: center;">0.5%</td> <td style="text-align: center;">0.5%</td> </tr> </tbody> </table>		Year	Pre-65	Post 65	Year 1 Trend	July 1, 2019	8.0%	8.0%	Ultimate Trend	July 1, 2025 & Later	5.0%	5.0%	Grading Per Year		0.5%	0.5%
	Year	Pre-65	Post 65														
Year 1 Trend	July 1, 2019	8.0%	8.0%														
Ultimate Trend	July 1, 2025 & Later	5.0%	5.0%														
Grading Per Year		0.5%	0.5%														

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

Retirement Eligibility Assumptions

Eligibility for retirement is based on a minimum of age and/or years of service (YOS). For the Town, retirement eligibility was modified based on the House Bill 2 (Chapter 224, Laws of 2011). The retirement eligibility for the school will remain the same as the prior valuation per Company. Eligibility by division of employees is as follows:

<u>Division (Group)</u>	<u>Subgrouping</u>		<u>Minimum Age</u>	<u>Minimum YOS</u>
Town NHRS	All Employees		60	n/a
Town NHRS b	All Employees		65	n/a
Town Group 2	All Employees		40	20
Town Group 2 b	All Employees		50	25
BOE - Teachers	All Employees	Method 1	55	30
		or Method 2	60	20
		or Method 3	65	n/a
BOE - Other EEs	All Employees	Method 1	60	20
		or Method 2	65	n/a

The eligibility by group above for the Town changed from the prior valuation.

Mortality

RP 2014 Healthy Male and Female Tables are based on Employee and Healthy Annuitant Tables for both pre & post retirement projected with mortality improvements using Projection Scale AA for 3.50 years (i.e., from the date of table to the valuation date), plus ten (10) years additional mortality improvement. This reflects an update to a more current mortality table compared to the prior valuation.

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, 2018

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 15,509,332	\$ 16,037,879	\$ 528,547
Land use change	75,000	43,430	(31,570)
Yield	6,250	1,581	(4,669)
Other taxes	200,000	200,000	-
Excavation	2,000	-	(2,000)
Payment in lieu of taxes	6,930	7,106	176
Interest and penalties on taxes	229,105	207,587	(21,518)
Total from taxes	<u>16,028,617</u>	<u>16,497,583</u>	<u>468,966</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	4,900,000	5,277,284	377,284
Building permits	135,000	211,978	76,978
Other	286,886	324,712	37,826
Total from licenses, permits, and fees	<u>5,321,886</u>	<u>5,813,974</u>	<u>492,088</u>
Intergovernmental:			
State:			
Meals and rooms distribution	1,309,095	1,309,095	-
Highway block grant	1,089,525	1,089,188	(337)
Other	527,133	190,210	(336,923)
Federal:			
Other	997,200	150,251	(846,949)
Total from intergovernmental	<u>3,922,953</u>	<u>2,738,744</u>	<u>(1,184,209)</u>
Charges for services:			
Income from departments	<u>1,667,707</u>	<u>1,897,946</u>	<u>230,239</u>
Miscellaneous:			
Interest on investments	150,000	433,036	283,036
Sale of municipal property	10,000	36,269	26,269
Rent of property	6,500	7,700	1,200
Insurance dividends and reimbursements	7,500	-	(7,500)
Contributions and donations	6,000	31,055	25,055
Other	29,297	171,522	142,225
Total from miscellaneous	<u>209,297</u>	<u>679,582</u>	<u>470,285</u>
Other financing sources:			
Transfers in	<u>1,983,809</u>	<u>1,445,729</u>	<u>(538,080)</u>
Total revenues and other financing sources	29,134,269	<u>\$ 29,073,558</u>	<u>\$ (60,711)</u>
Unassigned fund balance used to reduce tax rate	450,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 29,584,269</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, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Election and registration	\$ -	\$ 19,147	\$ 19,699	\$ -	\$ (552)
Revaluation of property	-	304,708	293,218	-	11,490
Planning and zoning	58,846	476,104	443,555	96,089	(4,694)
General government buildings	36,443	259,128	282,868	43,122	(30,419)
Other	51,589	2,270,843	2,400,835	31,943	(110,346)
Total general government	<u>146,878</u>	<u>3,329,930</u>	<u>3,440,175</u>	<u>171,154</u>	<u>(134,521)</u>
Public safety:					
Police	48,627	6,053,111	6,059,473	12,610	29,655
Fire	107,053	5,843,470	5,431,276	75,879	443,368
Building inspection	-	385,724	341,084	1,600	43,040
Emergency management	-	9,217	8,741	-	476
Dispatching	-	763,724	697,280	24,750	41,694
Total public safety	<u>155,680</u>	<u>13,055,246</u>	<u>12,537,854</u>	<u>114,839</u>	<u>558,233</u>
Highways and streets:					
Public works garage	-	377,908	417,717	-	(39,809)
Highways and streets	1,005,993	2,497,254	2,515,815	309,994	677,438
Other	-	455,432	398,475	-	56,957
Total highways and streets	<u>1,005,993</u>	<u>3,330,594</u>	<u>3,332,007</u>	<u>309,994</u>	<u>694,586</u>
Sanitation:					
Solid waste disposal	7,760	1,416,795	1,457,045	10,060	(42,550)
Health and welfare:					
Administration	-	74,000	74,000	-	-
Direct assistance	-	83,378	90,253	-	(6,875)
Total health and welfare	<u>-</u>	<u>157,378</u>	<u>164,253</u>	<u>-</u>	<u>(6,875)</u>
Culture and recreation:					
Parks and recreation	-	415,972	401,861	7,277	6,834
Library	44,535	1,095,378	1,063,739	98,586	(22,412)
Patriotic purposes	-	41,000	41,526	-	(526)
Other	-	-	100	-	(100)
Total culture and recreation	<u>44,535</u>	<u>1,552,350</u>	<u>1,507,226</u>	<u>105,863</u>	<u>(16,204)</u>
Conservation	-	9,231	11,773	-	(2,542)
Debt service:					
Principal of long-term debt	-	390,000	390,000	-	-
Interest on long-term debt	-	33,365	33,365	-	-
Interest on tax anticipation notes	-	1	-	-	1
Total debt service	<u>-</u>	<u>423,366</u>	<u>423,365</u>	<u>-</u>	<u>1</u>
Capital outlay	-	4,602,079	3,473,096	176,206	952,777
Other financing uses:					
Transfers out	-	1,707,300	1,707,300	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u><u>\$ 1,360,846</u></u>	<u><u>\$ 29,584,269</u></u>	<u><u>\$ 28,054,094</u></u>	<u><u>\$ 888,116</u></u>	<u><u>\$ 2,002,905</u></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, 2018

Unassigned fund balance, beginning		\$ 7,240,738
Changes:		
Unassigned fund balance used to reduce tax rate		(450,000)
2018 Budget summary:		
Revenue deficit (Schedule 1)	\$ (60,711)	
Unexpended appropriations (Schedule 2)	<u>2,002,905</u>	
2018 Budget surplus		1,942,194
Decrease in nonspendable fund balance		30,424
Increase in assigned for contingency		<u>(750,000)</u>
Unassigned fund balance, ending		<u><u>\$ 8,013,356</u></u>

SCHEDULE 4
TOWN OF MERRIMACK, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue Funds						Capital Projects 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	\$ 748,513	\$ 107,259	\$ 84,056	\$ 18,967	\$ 44,583	\$ 714,227	\$ 54,586	\$ 128,434	\$ 3,124,047	\$ 43,885	\$ 5,068,557
Investments	-	41,991	-	-	-	-	-	-	-	2,834,279	2,876,270
Accounts receivable	98,226	-	-	-	-	-	-	-	-	-	98,226
Total assets	\$ 846,739	\$ 149,250	\$ 84,056	\$ 18,967	\$ 44,583	\$ 714,227	\$ 54,586	\$ 128,434	\$ 3,124,047	\$ 2,878,164	\$ 8,043,053
LIABILITIES											
Accounts payable	\$ 286	\$ -	\$ 7,583	\$ -	\$ -	\$ -	\$ 4,093	\$ 125,000	\$ 250,519	\$ -	\$ 387,481
Retainage payable	-	-	-	-	-	-	-	-	15,617	-	15,617
Total liabilities	286	-	7,583	-	-	-	4,093	125,000	266,136	-	403,098
DEFERRED INFLOWS OF RESOURCES											
Unavailable revenue - CATV	10,000	-	-	-	-	-	-	-	-	-	10,000
FUND BALANCES											
Nonspendable	-	-	-	-	-	-	-	-	-	1,587,475	1,587,475
Restricted	836,453	149,250	76,473	18,967	44,583	714,227	50,493	3,434	2,857,911	1,290,689	6,042,480
Total fund balances	836,453	149,250	76,473	18,967	44,583	714,227	50,493	3,434	2,857,911	2,878,164	7,629,955
Total liabilities, deferred inflows of resources, and fund balances	\$ 846,739	\$ 149,250	\$ 84,056	\$ 18,967	\$ 44,583	\$ 714,227	\$ 54,586	\$ 128,434	\$ 3,124,047	\$ 2,878,164	\$ 8,043,053

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, 2018

	Special Revenue Funds						Capital Projects Funds			Total	
	Cable Television	Library Fines	Fire Protection	Heritage	Conservation Commission	Current Use	Recreation Revolving	General	Highway Garage		Permanent Fund
REVENUES											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,430	\$ -	\$ -	\$ -	\$ -	\$ 43,430
Licenses and permits	205,456	-	-	-	-	-	-	-	-	-	205,456
Intergovernmental	-	-	-	-	-	-	823	-	-	-	823
Charges for services	-	-	101,216	-	-	-	221,402	-	-	-	322,618
Investment earnings	9,971	1,875	1,243	580	574	8,942	226	2,095	19,061	224,589	269,156
Miscellaneous	-	48,337	-	245	-	201	-	124,075	-	-	172,858
Total revenues	<u>215,427</u>	<u>50,212</u>	<u>102,459</u>	<u>825</u>	<u>574</u>	<u>52,573</u>	<u>222,451</u>	<u>126,170</u>	<u>19,061</u>	<u>224,589</u>	<u>1,014,341</u>
EXPENDITURES											
Current:											
General government	-	-	-	-	-	-	-	-	-	17,440	17,440
Public safety	-	-	88,384	-	-	-	-	-	-	-	88,384
Culture and recreation	212,219	52,972	-	6,689	-	-	241,962	-	-	-	513,842
Conservation	-	-	-	-	1,936	2,818	-	-	-	-	4,754
Capital outlay	821	-	-	-	-	-	-	371,686	439,646	-	812,153
Total expenditures	<u>213,040</u>	<u>52,972</u>	<u>88,384</u>	<u>6,689</u>	<u>1,936</u>	<u>2,818</u>	<u>241,962</u>	<u>371,686</u>	<u>439,646</u>	<u>17,440</u>	<u>1,436,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,387</u>	<u>(2,760)</u>	<u>14,075</u>	<u>(5,864)</u>	<u>(1,362)</u>	<u>49,755</u>	<u>(19,511)</u>	<u>(245,516)</u>	<u>(420,585)</u>	<u>207,149</u>	<u>(422,232)</u>
OTHER FINANCING SOURCES											
Transfers in	-	-	-	300	-	-	-	-	-	-	300
Debt proceeds	-	-	-	-	-	-	-	-	3,048,875	-	3,048,875
Premium on debt proceeds	-	-	-	-	-	-	-	-	251,125	-	251,125
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,300,000</u>	<u>-</u>	<u>3,300,300</u>
Net change in fund balances	2,387	(2,760)	14,075	(5,564)	(1,362)	49,755	(19,511)	(245,516)	2,879,415	207,149	2,878,068
Fund balances (deficit), beginning	834,066	152,010	62,398	24,531	45,945	664,472	70,004	248,950	(21,504)	2,671,015	4,751,887
Fund balances, ending	<u>\$ 836,453</u>	<u>\$ 149,250</u>	<u>\$ 76,473</u>	<u>\$ 18,967</u>	<u>\$ 44,583</u>	<u>\$ 714,227</u>	<u>\$ 50,493</u>	<u>\$ 3,434</u>	<u>\$ 2,857,911</u>	<u>\$ 2,878,164</u>	<u>\$ 7,629,955</u>