

**TOWN OF MERRIMACK,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

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PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, major governmental and proprietary fund, and aggregate remaining fund information of the Town of Merrimack as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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 governmental and proprietary fund, and aggregate remaining fund information of the Town of Merrimack, as of June 30, 2022, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Merrimack and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Town of Merrimack's management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Merrimack's ability to continue as a going concern for twelve months beyond the financial statement date including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Merrimack's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Merrimack's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in fiscal year 2022 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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 Town Contributions – Other Postemployment Benefits,
- Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining and individual fund schedules and the Schedule of Expenditures of Federal Awards 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 and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2023 on our consideration of the Town of Merrimack's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Merrimack's internal control over financial reporting and compliance.

February 14, 2023
Concord, New Hampshire



PLODZIK & SANDERSON
Professional Association

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Merrimack, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022.

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 \$102,435,717 (i.e., net position), an increase of \$3,074,934 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$22,963,967, a decrease of \$1,024,212 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the governmental funds was \$8,979,537, an increase of \$264,900 in comparison to the prior year.
- Cash and cash equivalents plus investments for Governmental Funds totaled \$52,787,999 as of June 30, 2022, as compared to a total of \$51,695,966 as of June 30, 2021.
- Total bonds and notes payable at the close of the current fiscal year was \$16,373,660, an increase of \$6,077,410 in comparison to the prior year. This increase reflects the increase in notes payable related to the major improvement project at the Town's Wastewater Treatment Facility during the current fiscal year, offset by scheduled repayments on outstanding bonds and notes of approximately \$924,000.

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)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021 *</u>	<u>2022</u>	<u>2021 *</u>
Current and other assets	\$ 71,879	\$ 69,391	\$ 12,978	\$ 9,050	\$ 84,857	\$ 78,441
Capital assets	<u>72,299</u>	<u>70,410</u>	<u>46,368</u>	<u>40,604</u>	<u>118,667</u>	<u>111,014</u>
Total assets	144,178	139,801	59,346	49,654	203,524	189,455
Deferred outflows of resources	<u>7,290</u>	<u>9,348</u>	<u>396</u>	<u>367</u>	<u>7,686</u>	<u>9,715</u>
Long-term liabilities outstanding	32,513	42,498	6,583	7,374	39,096	49,872
Other liabilities	<u>2,882</u>	<u>1,543</u>	<u>10,378</u>	<u>1,885</u>	<u>13,260</u>	<u>3,428</u>
Total Liabilities	35,395	44,041	16,961	9,259	52,356	53,300
Deferred inflows of resources	<u>52,911</u>	<u>44,429</u>	<u>3,508</u>	<u>2,081</u>	<u>56,419</u>	<u>46,510</u>
Net Position:						
Net investment in capital assets	69,518	67,316	32,775	33,401	102,293	100,717
Restricted	5,296	4,173	-	619	5,296	4,792
Unrestricted	<u>(11,652)</u>	<u>(10,810)</u>	<u>6,499</u>	<u>4,661</u>	<u>(5,153)</u>	<u>(6,149)</u>
Total net position	<u>\$ 63,162</u>	<u>\$ 60,679</u>	<u>\$ 39,274</u>	<u>\$ 38,681</u>	<u>\$ 102,436</u>	<u>\$ 99,360</u>

* 2021 amounts reflect the prior period adjustment described in Note 19 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021 *</u>	<u>2022</u>	<u>2021 *</u>
Revenues:						
Program revenues						
Charges for services	\$ 2,768	\$ 2,147	\$ 6,245	\$ 5,936	\$ 9,013	\$ 8,083
Operating grants and contributions	2,859	924	171	274	3,030	1,198
General revenues						
Property and other taxes	18,691	17,820	-	-	18,691	17,820
Licenses and permits	6,428	6,676	-	-	6,428	6,676
Grants and contributions not restricted to specific programs	2,160	2,522	-	-	2,160	2,522
Investment income	77	870	15	19	92	889
Other	727	228	-	25	727	253
	<u>33,710</u>	<u>31,187</u>	<u>6,431</u>	<u>6,254</u>	<u>40,141</u>	<u>37,441</u>
Total revenues						
Expenses:						
General government	4,000	3,348	-	-	4,000	3,348
Public safety	15,792	16,251	-	-	15,792	16,251
Highways and streets	6,439	5,854	-	-	6,439	5,854
Health and welfare	145	148	-	-	145	148
Sanitation	1,947	1,794	-	-	1,947	1,794
Culture and recreation	2,387	2,092	-	-	2,387	2,092
Community development	10	7	-	-	10	7
Interest on long-term debt	87	100	-	-	87	100
Unrealized loss on investments	420	-	15	-	435	-
Sewer operations	-	-	5,823	5,227	5,823	5,227
	<u>31,227</u>	<u>29,594</u>	<u>5,838</u>	<u>5,227</u>	<u>37,065</u>	<u>34,821</u>
Total expenses						
Change in net position	2,483	1,593	593	1,027	3,076	2,620
Net position - beginning of year	<u>60,679</u>	<u>59,086</u>	<u>38,681</u>	<u>37,654</u>	<u>99,360</u>	<u>96,740</u>
Net position - end of year	<u>\$ 63,162</u>	<u>\$ 60,679</u>	<u>\$ 39,274</u>	<u>\$ 38,681</u>	<u>\$ 102,436</u>	<u>\$ 99,360</u>

* 2021 amounts reflect the prior period adjustment described in Note 19 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 \$102,293,067 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 \$5,296,270 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$(5,153,620) 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 \$2,482,504. Key elements of this change are as follows:

Excess (deficiency) of revenues and transfers in over expenditures and transfers out:	
General fund operations	\$ (654,553)
Special revenue funds	(160,464)
Capital project funds	(89,018)
Permanent funds	<u>(120,177)</u>
Subtotal	(1,024,212)
Depreciation in excess of debt service principal paydown	(2,766,024)
Capital assets acquired from current and prior year revenues, non-bonded	4,967,481
Change in recognized pension obligations	1,202,017
Change in recognized OPEB obligations	168,817
Changes in compensated absences, accrued interest expense and accrued landfill postclosure care costs	74,871
Change in deferred tax revenue	<u>(140,446)</u>
Total	<u>\$ 2,482,504</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$592,430. This change primarily resulted from an increase in charges for services 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 \$8,979,537; committed fund balance (non-sewer capital reserves) was \$4,707,944, while total fund balance was \$17,560,045. 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>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>
General Fund			
Unassigned fund balance	\$ 8,979,537	\$ 8,714,637	\$ 264,900
Committed fund balance (Capital Reserves)	4,707,944	4,870,909	(162,965)
Other fund balance	<u>3,872,564</u>	<u>4,629,052</u>	<u>(756,488)</u>
 Total fund balance	 <u>\$ 17,560,045</u>	 <u>\$ 18,214,598</u>	 <u>\$ (654,553)</u>
 Unassigned fund balance as % of total general fund expenditures	 25.9%	 27.7%	 -1.8%
Committed fund balance (Capital Reserves) as a % of total general fund expenditures	13.6%	15.5%	-1.9%
Total fund balance as % of general fund expenditures	50.7%	58.0%	-7.3%

The total fund balance of the general fund decreased by \$(654,553) during the current fiscal year. Key factors in this change are as follows:

Revenues less than adjusted budget	\$ (2,372,468)
Expenditures less than adjusted budget	7,067,404
Net transfers less than adjusted budget	(2,738,511)
Decrease in encumbrances	798,013
Increase in liabilities	(1,325,844)
Increase in deferred inflows of resources	(2,212,166)
Other	<u>129,019</u>
 Total	 <u>\$ (654,553)</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 \$6,498,563. The overall net position of the Sewer Fund increased by \$592,430 in comparison to the prior year, primarily due to higher charges for services 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

Actual revenues came in approximately \$2,372,000, or 6.7%, lower than budgeted revenues for the fiscal year ended June 30, 2022, primarily as a result of several multi-year grants that were awarded to the Town during the year, along with lower than expected interest income on the Town's invested cash reserves, which were partially offset by higher than anticipated auto registrations, current use taxes, insurance premium rebates, and COVID-19 expense reimbursements from the Federal government. Below is a brief summary of the most significant revenue variances:

- The Town was awarded funds from the American Rescue Plan Act that will be received in the next fiscal year in the amount of \$1.4 million.
- The Fire Department received a multi-year grant to fund additional firefighter personnel. Amounts attributable to future years total approximately \$2.3 million.
- The Police Department received a multi-year grant to fund additional personnel and other expenses aimed at combating the opioid and substance abuse epidemic. Amounts attributable to future years total approximately \$300,000.
- Interest income from investments was lower than budget projections by \$290,000.
- Vehicle registration revenues were higher than projections by \$229,000.
- Federal Highway Block grants were higher than anticipated by \$8,000.
- Ambulance revenues were higher than projections by \$42,000.
- Tax overlay was lower than the budgeted amount by \$20,000.
- Building permits exceeded estimates by \$30,000.
- Revenues generated by the Town's single stream recycling program were lower than the budget by \$40,000.
- Fees charged to users of the Town's Transfer Station facilities exceeded budgeted amounts by \$113,000.
- Interest received on outstanding and delinquent property taxes was lower than budget by \$12,000.
- Current use taxes exceeded budget estimates by \$416,000.
- Police grant revenues were lower than anticipated by \$11,000.
- The Town received unanticipated revenue from insurance premium rebates totaling \$534,000 and from COVID-19 expense reimbursements of \$291,000 in the current fiscal year.

Overall expenditures, net of transfers from the Town's Capital Reserve Funds, came in over \$4.3 million under budget for the fiscal year. This budget variance includes an offsetting grant expense shortfall of approximately \$4.0 million related to the future grant revenues referred to above. Other 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 most significant expense variances.

- Salaries and Wages were under budget by \$1,037,000, 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 \$475,000, principally as a result of the turnover referred to above, along with increased demands on the Town's Fire Department resources.
- Payroll taxes and employer funded retirement, dental, health, and disability insurance were lower than budgeted amounts by \$490,000 as a result of the same staffing issues referred to above.
- Payments due to employees upon termination were lower than the budget by \$35,000 as a result of certain expected retirements that did not occur during the current fiscal year.
- Utility expenses for electricity, heating, water, sewer, and telephone were \$7,000 above budget estimates due to general price escalation.
- Vehicle fuel costs came in higher than appropriations by \$12,000 due the increase in gas prices that was experienced in the current fiscal year.
- Legal expenses were higher than budgeted appropriations by \$109,000 mainly due to environmental issues with certain businesses that operate in the Town.
- Buildings and grounds maintenance and repairs expenditures were over budget by \$59,000.
- Vehicle and equipment maintenance and repairs expenditures came in \$44,000 below budget as the replacement of certain older Fire Department vehicles resulted in lower repair costs in the current year.
- Education and training expenses were below budget by \$45,000.
- Salt and sand purchased for winter road treatment came in higher than the budgeted amount by \$99,000 due to higher than expected usage and material cost increases.
- Solid Waste Disposal costs were higher than budgeted appropriations by \$149,000 due to overall market conditions and inflationary pressures.
- Expenditures on office equipment were \$21,000 higher than budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$118,666,727 (net of accumulated depreciation), a change of \$7,652,936 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 consisted of certain road, culvert, and bridge infrastructure improvements, construction of the Turkey Hill Road roundabout, restoration of the beach area at Wasserman Park, along with new communications equipment and a record management system for the Police Department, two new fire engines for the Fire Department, and a new dump truck for the Highway 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 \$16,373,660 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, and management is confident that the Town has sufficient cash flow at this time to meet its obligations. The economy of Southern New Hampshire in the past year, in what was a year of recovery from the peak effects of the COVID-19 Pandemic, experienced a rate of economic growth that compared favorably with the rest of the state, the New England region, and the country as a whole. The Town's unemployment rate is up to 2.3% from the previous year of 1.9%, but it still compares favorably with the state and national averages of 2.6% and 3.7%, respectively. The Town 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 Town is feeling the impact of inflation on its operations, particularly with respect to the quoted prices on capital goods (e.g. vehicles, machinery, and equipment) and construction related materials and services. Every effort has been and will continue to be made to secure the best available pricing on all goods and services procured, and capital projects will be carefully evaluated to determine the appropriate timing for completion. In addition, the effects of the tight labor market on both a national and regional basis continue to present challenges for the Town in terms of its ability to attract and retain qualified employees. We are hopeful that these conditions will ease as we get further into the second half of Fiscal 2022-23.

The 2022-23 budget has been adopted, and the 2022 property tax rate (Fiscal Year 2022) was set in November. Municipal appropriations, net of non-tax revenues, have increased by \$755,006 (4.0%) compared to 2021-22 net appropriations, and the municipal portion of the tax rate was set at \$3.86 per thousand. The Town's portion of the tax rate increased by four cents from the prior fiscal year which can primarily be attributed to the general effects of inflation and rising health care costs on overall operating expenses.

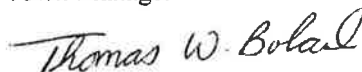
REQUESTS FOR INFORMATION

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



Paul T. Micali, CPA
Town Manager



Thomas W. Boland, CPA
Finance Director

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF MERRIMACK, NEW HAMPSHIRE
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 52,787,999	\$ 6,857,253	\$ 59,645,252
Investments	8,095,024	605,617	8,700,641
Taxes receivables	5,757,411	-	5,757,411
Account receivables (net)	1,085,259	875,970	1,961,229
Intergovernmental receivable	3,223,633	5,255,405	8,479,038
Internal balances	615,688	(615,688)	-
Inventory	228,825	-	228,825
Prepaid items	44,780	-	44,780
Tax deeded property, subject to resale	40,539	-	40,539
Capital assets:			
Land and construction in progress	19,694,093	8,963,741	28,657,834
Other capital assets, net of depreciation	52,604,694	37,404,199	90,008,893
Total assets	<u>144,177,945</u>	<u>59,346,497</u>	<u>203,524,442</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	6,922,221	26,806	6,949,027
Amounts related to other postemployment benefits	367,687	369,326	737,013
Total deferred outflows of resources	<u>7,289,908</u>	<u>396,132</u>	<u>7,686,040</u>
LIABILITIES			
Accounts payable	741,121	84,509	825,630
Accrued salaries and benefits	1,804,956	50,833	1,855,789
Retainage payable	-	604,329	604,329
Contracts payable	-	873,492	873,492
Accrued interest payable	39,006	39,742	78,748
Intergovernmental payable	10,000	-	10,000
Notes payable	-	8,724,971	8,724,971
Escrow and performance deposits	286,009	-	286,009
Long-term liabilities:			
Due within one year	364,556	347,699	712,255
Due in more than one year	32,148,877	6,235,554	38,384,431
Total liabilities	<u>35,394,525</u>	<u>16,961,129</u>	<u>52,355,654</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	42,688,002	-	42,688,002
Unavailable revenue - grants and donations	2,916,498	3,116,303	6,032,801
Amounts related to pensions	7,253,333	386,993	7,640,326
Amounts related to other postemployment benefits	53,522	4,460	57,982
Total deferred inflows of resources	<u>52,911,355</u>	<u>3,507,756</u>	<u>56,419,111</u>
NET POSITION			
Net investment in capital assets	69,517,886	32,775,181	102,293,067
Restricted	5,296,270	-	5,296,270
Unrestricted	(11,652,183)	6,498,563	(5,153,620)
Total net position	<u>\$ 63,161,973</u>	<u>\$ 39,273,744</u>	<u>\$ 102,435,717</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, 2022

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 4,000,160	\$ 525,321	\$ 1,995,460	\$ (1,479,379)	\$ -	\$ (1,479,379)
Public safety	15,792,172	1,430,082	274,513	(14,087,577)	-	(14,087,577)
Highways and streets	6,439,924	131,245	589,261	(5,719,418)	-	(5,719,418)
Sanitation	1,947,308	314,264	-	(1,633,044)	-	(1,633,044)
Health	75,649	-	-	(75,649)	-	(75,649)
Welfare	68,241	-	-	(68,241)	-	(68,241)
Culture and recreation	2,387,348	367,070	-	(2,020,278)	-	(2,020,278)
Conservation	9,834	-	-	(9,834)	-	(9,834)
Interest on long-term debt	87,224	-	-	(87,224)	-	(87,224)
Total governmental activities	<u>30,807,860</u>	<u>2,767,982</u>	<u>2,859,234</u>	<u>(25,180,644)</u>	<u>-</u>	<u>(25,180,644)</u>
Business-type activities:						
Sewer	5,822,825	6,244,994	170,759	-	592,928	592,928
Total	<u>\$ 36,630,685</u>	<u>\$ 9,012,976</u>	<u>\$ 3,029,993</u>	<u>(25,180,644)</u>	<u>592,928</u>	<u>(24,587,716)</u>
General revenues:						
Taxes:						
Property				17,719,322	-	17,719,322
Other				971,421	-	971,421
Motor vehicle permit fees				5,854,190	-	5,854,190
Licenses and other fees				574,029	-	574,029
Grants and contributions not restricted to specific progra				2,159,963	-	2,159,963
Unrestricted investment earnings				76,709	14,810	91,519
Miscellaneous				727,223	-	727,223
Total general revenues				<u>28,082,857</u>	<u>14,810</u>	<u>28,097,667</u>
Special item:						
Unrealized loss on investments				(419,709)	(15,308)	(435,017)
Change in net position				<u>2,482,504</u>	<u>592,430</u>	<u>3,074,934</u>
Net position, beginning, as restated (see Note 19)				<u>60,679,469</u>	<u>38,681,314</u>	<u>99,360,783</u>
Net position, ending				<u>\$ 63,161,973</u>	<u>\$ 39,273,744</u>	<u>\$ 102,435,717</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, 2022

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 50,893,419	\$ 1,894,580	\$ 52,787,999
Investments	4,553,026	3,541,998	8,095,024
Taxes receivable (net)	5,797,399	6,663	5,804,062
Accounts receivable (net)	1,085,259	-	1,085,259
Intergovernmental receivable	3,223,633	-	3,223,633
Interfund receivable	615,688	-	615,688
Inventory	228,825	-	228,825
Prepaid items	44,780	-	44,780
Tax deeded property, subject to resale	40,539	-	40,539
Total assets	<u>\$ 66,482,568</u>	<u>\$ 5,443,241</u>	<u>\$ 71,925,809</u>
LIABILITIES			
Accounts payable	\$ 711,802	\$ 29,319	\$ 741,121
Accrued salaries and benefits	1,804,956	-	1,804,956
Intergovernmental payable	10,000	-	10,000
Escrow and performance deposits	286,009	-	286,009
Total liabilities	<u>2,812,767</u>	<u>29,319</u>	<u>2,842,086</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	43,203,258	-	43,203,258
Unavailable revenue - grants and donations	2,906,498	10,000	2,916,498
Total deferred inflows of resources	<u>46,109,756</u>	<u>10,000</u>	<u>46,119,756</u>
FUND BALANCES			
Nonspendable	859,920	1,950,904	2,810,824
Restricted	650,000	1,835,446	2,485,446
Committed	4,707,944	1,617,572	6,325,516
Assigned	2,362,644	-	2,362,644
Unassigned	8,979,537	-	8,979,537
Total fund balances	<u>17,560,045</u>	<u>5,403,922</u>	<u>22,963,967</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 66,482,568</u>	<u>\$ 5,443,241</u>	<u>\$ 71,925,809</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, 2022

Amounts reported for governmental activities in the Statement of Net Position are different because:			
Total fund balances of governmental funds (Exhibit C-1)			\$ 22,963,967
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.			
Cost	\$	148,313,439	
Less accumulated depreciation		<u>(76,014,652)</u>	
			72,298,787
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	\$	6,922,221	
Deferred inflows of resources related to pensions		(7,253,333)	
Deferred outflows of resources related to OPEB		367,687	
Deferred inflows of resources related to OPEB		<u>(53,522)</u>	
			(16,947)
Long-term revenue (taxes) is not available to pay current period expenditures, and therefore, is deferred in the governmental funds.			468,605
Interest on long-term debt is not accrued in governmental funds.			
Accrued interest payable			(39,006)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.			
Bonds	\$	2,580,000	
Unamortized bond premium		200,901	
Compensated absences		1,210,332	
Accrued landfill postclosure care costs		861,000	
Net pension liability		23,548,115	
Other postemployment benefits		<u>4,113,085</u>	
			<u>(32,513,433)</u>
Net position of governmental activities (Exhibit A)			<u>\$ 63,161,973</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, 2022

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 18,678,286	\$ 152,903	\$ 18,831,189
Licenses and permits	6,428,219	-	6,428,219
Intergovernmental	4,859,096	-	4,859,096
Charges for services	2,178,789	589,193	2,767,982
Miscellaneous	799,695	164,338	964,033
Unrealized loss on investments	(181,493)	(238,216)	(419,709)
Total revenues	<u>32,762,592</u>	<u>668,218</u>	<u>33,430,810</u>
EXPENDITURES			
Current:			
General government	3,909,414	42,062	3,951,476
Public safety	15,604,181	111,214	15,715,395
Highways and streets	3,677,206	-	3,677,206
Sanitation	1,688,312	-	1,688,312
Health	76,905	-	76,905
Welfare	68,241	-	68,241
Culture and recreation	1,635,922	584,792	2,220,714
Conservation	1,148	8,686	9,834
Debt service:			
Principal	300,000	-	300,000
Interest	108,661	-	108,661
Capital outlay	6,442,564	195,714	6,638,278
Total expenditures	<u>33,512,554</u>	<u>942,468</u>	<u>34,455,022</u>
Deficiency of revenues under expenditures	<u>(749,962)</u>	<u>(274,250)</u>	<u>(1,024,212)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	95,709	300	96,009
Transfers out	(300)	(95,709)	(96,009)
Total other financing sources (uses)	<u>95,409</u>	<u>(95,409)</u>	<u>-</u>
Net change in fund balances	(654,553)	(369,659)	(1,024,212)
Fund balances, beginning	18,214,598	5,773,581	23,988,179
Fund balances, ending	<u>\$ 17,560,045</u>	<u>\$ 5,403,922</u>	<u>\$ 22,963,967</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, 2022

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances of governmental funds (Exhibit C-3)		\$ (1,024,212)
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.		
Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Capitalized capital outlay	\$ 4,967,481	
Depreciation expense	<u>(3,067,604)</u>	1,899,877
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		
		(10,976)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (96,009)	
Transfers out	<u>96,009</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		(140,446)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.		
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Repayment of bond principal	\$ 300,000	
Amortization of bond premium	<u>12,556</u>	312,556
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 8,881	
Decrease in compensated absences payable	44,990	
Decrease in accrued landfill postclosure care costs	21,000	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	1,202,017	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>168,817</u>	1,445,705
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 2,482,504</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, 2022

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 18,181,011	\$ 18,171,799	\$ 18,678,286	\$ 506,487
Licenses and permits	6,164,415	6,164,415	6,428,219	263,804
Intergovernmental	2,591,465	8,383,491	4,859,096	(3,524,395)
Charges for services	1,679,022	1,679,022	2,178,789	499,767
Miscellaneous	299,527	915,823	797,692	(118,131)
Total revenues	<u>28,915,440</u>	<u>35,314,550</u>	<u>32,942,082</u>	<u>(2,372,468)</u>
EXPENDITURES				
Current:				
General government	3,927,966	4,460,338	3,883,769	576,569
Public safety	15,523,593	18,530,623	15,529,021	3,001,602
Highways and streets	3,923,506	3,997,355	3,791,240	206,115
Sanitation	1,717,338	1,717,334	1,862,525	(145,191)
Health	76,905	76,905	76,905	-
Welfare	91,123	92,145	68,241	23,904
Culture and recreation	1,667,940	1,705,581	1,604,939	100,642
Conservation	5,168	5,168	(1,172)	6,340
Debt service:				
Principal	300,000	300,000	300,000	-
Interest	108,662	108,662	108,661	1
Capital outlay	1,350,439	8,787,834	5,490,412	3,297,422
Total expenditures	<u>28,692,640</u>	<u>39,781,945</u>	<u>32,714,541</u>	<u>7,067,404</u>
Excess (deficiency) of revenues over (under) expenditures	<u>222,800</u>	<u>(4,467,395)</u>	<u>227,541</u>	<u>4,694,936</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	7,500	4,697,695	1,959,184	(2,738,511)
Transfers out	(1,880,300)	(1,880,300)	(1,880,300)	-
Total other financing sources (uses)	<u>(1,872,800)</u>	<u>2,817,395</u>	<u>78,884</u>	<u>(2,738,511)</u>
Net change in fund balances	<u>\$ (1,650,000)</u>	<u>\$ (1,650,000)</u>	306,425	<u>\$ 1,956,425</u>
Increase in nonspendable fund balance			(41,525)	
Unassigned fund balance, beginning			8,714,637	
Unassigned fund balance, ending			<u>\$ 8,979,537</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, 2022

	Business-type Activities Enterprise Fund (Sewer Department)
ASSETS	
Cash and cash equivalents	\$ 6,857,253
Investments	605,617
Accounts receivable	875,970
Intergovernmental receivables	5,255,405
Capital assets:	
Land and construction in progress	8,963,741
Other capital assets, net of depreciation	37,404,199
Total assets	<u>59,962,185</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	369,326
Amounts related to other postemployment benefits	26,806
Total deferred outflows of resources	<u>396,132</u>
LIABILITIES	
Current liabilities:	
Accounts payable	84,509
Accrued salaries and benefits	50,833
Retainage payable	604,329
Contract payable	873,492
Accrued interest payable	39,742
Internal balances	615,688
Notes payable	8,724,971
Long term liabilities:	
Due within one year	347,699
Due in more than one year	6,235,554
Total liabilities	<u>17,576,817</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - grants	3,116,303
Amounts related to pensions	386,993
Amounts related to other postemployment benefits	4,460
Total deferred inflows of resources	<u>3,507,756</u>
NET POSITION	
Net investment in capital assets	32,775,181
Unrestricted	6,498,563
Total net position	<u>\$ 39,273,744</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-2
TOWN OF MERRIMACK, NEW HAMPSHIRE
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2022

	Business-type Activities
	Enterprise Fund
	(Sewer Department)
Operating revenues:	
User charges	\$ 6,213,102
Miscellaneous	31,892
Total operating revenues	6,244,994
Operating expenses:	
Salaries and wages	2,189,249
Operation and maintenance	1,347,106
Contractual services	426,556
Materials and supplies	425,917
Depreciation and amortization	1,329,876
Total operating expenses	5,718,704
Operating gain	526,290
Nonoperating revenue (expense):	
Interest income	14,810
Intergovernmental revenues	170,759
Interest expense	(104,121)
Unrealized loss on investments	(15,308)
Total nonoperating revenues (expense)	66,140
Change in net position	592,430
Net position, beginning, as restated (see Note 19)	38,681,314
Net position, ending	\$ 39,273,744

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, 2022

	Business-type Activities
	Enterprise Fund (Sewer Department)
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 6,255,186
Payments to employees	(3,071,299)
Payments to suppliers	(1,774,486)
Net cash provided by operating activities	1,409,401
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
State Aid grants received	170,759
State grant and loan proceeds received	7,001,133
Principal paid on notes	(611,167)
Acquisition and construction of fixed assets	(6,914,675)
Interest paid	(108,789)
Net cash used for capital and related financing activities	(462,739)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating transfers in	615,688
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(132,798)
Interest on investments	14,810
Net cash used by investing activities	(117,988)
Net increase in cash and cash equivalents	1,444,362
Cash and cash equivalents, beginning	5,412,891
Cash and cash equivalents, ending	\$ 6,857,253
Reconciliation of Operating Gain to Net Cash Provided by Operating Activities	
Operating gain	\$ 526,290
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Depreciation expense	1,150,643
Change in accounts receivable	10,192
Change in intergovernmental receivables	(2,992,628)
Change in deferred outflows related to pensions	(19,534)
Change in deferred outflows related to OPEB	(8,963)
Change in accounts payable	870,883
Change in accrued salaries and benefits	21,609
Change in retainage payable	604,329
Change in compensated absences	29,690
Change in net pension liability	(426,820)
Change in OPEB liability	217,366
Change in other deferred inflows	1,092,546
Change in deferred inflows related to pensions	331,078
Change in deferred inflows related to OPEB	2,720
Total adjustments	883,111
Net cash provided by operating activities	\$ 1,409,401

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT F-1
TOWN OF MERRIMACK, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2022

	Private Purpose Trust	Other Custodial Funds	Total
ASSETS			
Cash and cash equivalents	\$ 23,772	\$ 2,834,940	\$ 2,858,712
Investments	361,852	9,111,812	9,473,664
Total assets	<u>\$ 385,624</u>	<u>\$ 11,946,752</u>	<u>\$ 12,332,376</u>
NET POSITION			
Restricted	<u>\$ 385,624</u>	<u>\$ 11,946,752</u>	<u>\$ 12,332,376</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 Fiduciary Net Position
For the Fiscal Year Ended June 30, 2022

	Private Purpose Trust	All Custodial Funds	Total
ADDITIONS			
Contributions	\$ 42,881	\$ 236,923	\$ 279,804
Investment earnings	25,508	307,724	333,232
Unrealized loss on investments	(16,068)	(423,325)	(439,393)
Taxes collected for other governments	-	65,263,801	65,263,801
Motor vehicle permit fees collected	-	1,694,040	1,694,040
Total additions	<u>52,321</u>	<u>67,079,163</u>	<u>67,131,484</u>
DEDUCTIONS			
Benefits paid	9,708	1,018,706	1,028,414
Payments of taxes to other governments	-	65,263,801	65,263,801
Payments of motor vehicle permit fees	-	1,694,040	1,694,040
Total deductions	<u>9,708</u>	<u>67,976,547</u>	<u>67,986,255</u>
Net increase (decrease) in fiduciary net position	42,613	(897,384)	(854,771)
Net position, beginning	343,011	12,844,136	13,187,147
Net position, ending	<u>\$ 385,624</u>	<u>\$ 11,946,752</u>	<u>\$ 12,332,376</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

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TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

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 two categories: 1) charges for services, and 2) operating 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 except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

Governmental Fund Financial Statements – Include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds 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 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.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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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 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 operations.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. The Town reports 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 station, and sewer lines. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the sewer capital project and expendable trust funds are consolidated in the sewer fund.

Fiduciary Fund Financial Statements – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Town’s fiduciary funds are private purpose trust and custodial funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. 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 also reports the following fiduciary funds:

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

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

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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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 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 (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

1-E Investments

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

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

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

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

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 US 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.

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.

Level 3 – Inputs are significant unobservable inputs, using assumptions in determining the fair value of investments and derivative 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, 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.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

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 materials and supplies held for subsequent use. The cost of such inventories is recorded as expenditures/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 are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation, if received on or before June 15, 2015. Donated capital assets received after June 15, 2015 are recorded at acquisition value. The Town has established a threshold of \$10,000 or more and an estimated useful life in excess of one year for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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 Activities

Interfund activities are reported as follows:

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

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

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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JUNE 30, 2022

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 November 15, 2021, and May 13, 2022, and due on December 1, 2021 and July 1, 2022. For any regular property taxes issued, the interest accrues at a rate of 8% on bills outstanding after the due date and 14% 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, 2022 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 receivable 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, 2021, utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 4,749,662,763
For all other taxes	\$ 4,902,353,163

The tax rates and amounts assessed for the year ended June 30, 2022 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$3.82	\$ 18,679,041
School portion:		
State of New Hampshire	\$1.51	7,180,915
Local	\$10.94	53,653,239
County portion	\$0.90	4,429,647
Total	\$17.17	\$ 83,942,842

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, 2022.

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 (expenses) until then. The Town has two items that qualify for reporting in this category. Deferred outflows related to pensions and deferred outflows related to OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

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. The Town has three types of items which

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

qualify for reporting in this category. Deferred inflows of resources related to pensions and OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. In addition, unavailable revenues from grants arises when the related eligible expenditures will not be made until the subsequent period.

1-N Compensated Absences

General leave for the Town includes vacation, sick, and retirement stipend pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon retirement or termination, employees are paid full value for any accrued general leave earned as set forth by the Town's personnel policy.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

1-O Long-term Obligations

In the government-wide financial statements 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 Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Director Borrowings and Direct Placements*, the Town utilizes the following classifications to categorize the financial transactions:

Direct Borrowings – financial transactions for a note or a loan where the Town negotiates certain terms with a single lender and are not offered for public sale.

Direct Placements – financial transactions for the sale of bonds where the Town engages with a single buyer or limited number of buyers without a public offering.

1-P 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-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 has 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.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 due and payable in accordance with benefit terms.

1-R 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 are 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 further 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 Board of Selectmen through the budgetary process.

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

When multiple net position/fund balance classifications are available for use, it is the government’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.

In the general fund, 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.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

1-S Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include assessing the collectability of accounts receivable and the useful lives and impairment of tangible and intangible capital assets, net pension liability, other postemployment benefit liability, deferred outflows and inflows of resources related to both pension and other postemployment benefits, and accrued landfill postclosure care costs, 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 the nonmajor cable television, fire protection, library fines, and road improvement funds. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

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

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

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2022, \$1,650,000 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

While the Town reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for the major governmental fund which had a budget. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 34,901,266
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	(179,490)
To eliminate transfers between the general fund and blended funds	(1,863,475)
Per Exhibit C-3 (GAAP basis)	<u>\$ 32,858,301</u>
	<i>(Continued)</i>

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Budgetary reconciliation to GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 34,594,841
Adjustments:	
Basis differences:	
Encumbrances, beginning	2,410,657
Encumbrances, ending	(1,612,644)
GASB Statement No. 54:	
To eliminate transfers between the general fund and blended funds	(1,880,000)
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 33,512,854</u></u>

2-C Accounting Change

Governmental Accounting Standards Board Statement No. 87, *Leases*, was implemented during fiscal year 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Town held no such leases as of June 30, 2022.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits are entirely covered by Federal Depository Insurance Corporation (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 \$62,503,964 and the bank balances totaled \$62,131,722.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 59,645,252
Cash per Statement of Net Position - Fiduciary Funds (Exhibit F-1)	<u>2,858,712</u>
Total cash and cash equivalents	<u><u>\$ 62,503,964</u></u>

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.

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The Town has the following recurring fair value measurements and maturities as of June 30, 2022:

	Fair Value Hierarchy		Total
	Level 1	Level 2	
Investments type:			
Common stock	\$ 5,619,181	\$ -	\$ 5,619,181
Corporate bonds	-	1,303,301	1,303,301
Certificates of deposit	5,834,577	-	5,834,577
Equity mutual funds	564,926	-	564,926
Fixed income mutual funds	408,187	-	408,187
U.S. Government agency bonds	-	3,878,511	3,878,511
U.S. Treasury bonds	-	565,622	565,622
Total fair value of investments	<u>\$ 12,426,871</u>	<u>\$ 5,747,434</u>	<u>\$ 18,174,305</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.

Investments Type	Reported Balance	Exempt from Disclosure	Remaining Maturity (in Years)		
			Less than 1 Year	1-5 Years	6-10 Years
Common stock	\$ 5,619,181	\$ 5,619,181	\$ -	\$ -	\$ -
Corporate bonds	1,303,301	-	49,831	1,153,325	100,145
Certificates of deposit	5,834,577	-	1,326,301	4,508,276	-
Equity mutual funds	564,926	564,926	-	-	-
Fixed income mutual funds	408,187	408,187	-	-	-
U.S. Government agency bonds	3,878,511	-	513,170	3,224,939	140,402
U.S. Treasury bonds	565,622	-	74,438	196,270	294,914
Total	<u>\$ 18,174,305</u>	<u>\$ 6,592,294</u>	<u>\$ 1,963,740</u>	<u>\$ 9,082,810</u>	<u>\$ 535,461</u>

Credit Risk - The Town has no formal policy on managing credit risk; however, state law limits investments as explained in Note 1-E. The Town’s investment pool had the following credit risk structure:

Investments Type	Reported Balance	Exempt From Disclosure	Rating as of Year End					
			AAA	AA	AA-	A	A-	BBB
Common stock	\$ 5,619,181	\$ 5,619,181	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate bonds	1,303,301	-	-	222,671	196,112	738,316	74,402	71,800
Certificates of deposit	5,834,577	5,834,577	-	-	-	-	-	-
Equity mutual funds	564,926	564,926	-	-	-	-	-	-
Fixed Income mutual funds	408,187	408,187	-	-	-	-	-	-
U.S. Governemnt agency bonds	3,878,511	-	3,878,511	-	-	-	-	-
U.S. Treasury bonds	565,622	-	565,622	-	-	-	-	-
Total	<u>\$ 18,174,305</u>	<u>\$ 12,426,871</u>	<u>\$ 4,444,133</u>	<u>\$ 222,671</u>	<u>\$ 196,112</u>	<u>\$ 738,316</u>	<u>\$ 74,402</u>	<u>\$ 71,800</u>

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.

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Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 8,700,641
Investments per Statement of Net Position - Fiduciary Funds (Exhibit F-1)	9,473,664
Total investments	<u><u>\$ 18,174,305</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, 2022. The amount has been reduced by an allowance for an estimated uncollectible amount of \$374,959. Taxes receivable by year are as follows:

	Governmental Activities	Governmental Fund General Fund
Property:		
Levy of 2022	\$ 5,263,730	\$ 5,263,730
Unredeemed (under tax lien):		
Levy of 2021	341,196	341,196
Levy of 2020	177,837	177,837
Levies of 2019 and prior	278,014	278,014
Yield	793	793
Land use change	70,800	70,800
Welfare liens	-	46,651
Less: allowance for estimated uncollectible taxes	(374,959)	(374,959)
Taxes receivable	<u><u>\$ 5,757,411</u></u>	<u><u>\$ 5,804,062</u></u>

NOTE 6 – OTHER RECEIVABLES

Receivables at June 30, 2022, consisted of accounts (billings for police details, water, 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, 2022 for the Town's individual major funds and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	Governmental Activities	Business-type Activities	Governmental Fund General Fund	Proprietary Fund Sewer
Receivables:				
Accounts	\$ 1,454,388	\$ 875,970	\$ 1,454,388	\$ 875,970
Intergovernmental	3,223,633	5,255,405	3,223,633	5,255,405
Gross receivables	4,678,021	6,131,375	4,678,021	6,131,375
Less:				
Allowance for uncollectibles	(369,129)	-	(369,129)	-
Net total receivables	<u><u>\$ 4,308,892</u></u>	<u><u>\$ 6,131,375</u></u>	<u><u>\$ 4,308,892</u></u>	<u><u>\$ 6,131,375</u></u>

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NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 17,296,636	\$ -	\$ -	\$ 17,296,636
Construction in progress	1,674,395	723,062	-	2,397,457
Total capital assets not being depreciated	<u>18,971,031</u>	<u>723,062</u>	<u>-</u>	<u>19,694,093</u>
Being depreciated:				
Improvements other than buildings	2,219,178	159,193	-	2,378,371
Buildings and building improvements	12,445,151	-	-	12,445,151
Machinery, vehicles, and furnishings	19,610,684	3,070,159	(1,025,619)	21,655,224
Infrastructure	91,125,533	1,015,067	-	92,140,600
Total capital assets being depreciated	<u>125,400,546</u>	<u>4,244,419</u>	<u>(1,025,619)</u>	<u>128,619,346</u>
Total all capital assets	<u>144,371,577</u>	<u>4,967,481</u>	<u>(1,025,619)</u>	<u>148,313,439</u>
Less accumulated depreciation:				
Improvements other than buildings	(1,351,654)	(65,408)	-	(1,417,062)
Buildings and building improvements	(5,410,521)	(577,626)	-	(5,988,147)
Machinery, vehicles, and furnishings	(11,953,800)	(872,861)	1,014,643	(11,812,018)
Infrastructure	(55,245,716)	(1,551,709)	-	(56,797,425)
Total accumulated depreciation	<u>(73,961,691)</u>	<u>(3,067,604)</u>	<u>1,014,643</u>	<u>(76,014,652)</u>
Net book value, capital assets being depreciated	<u>51,438,855</u>	<u>1,176,815</u>	<u>(10,976)</u>	<u>52,604,694</u>
Net book value, all governmental activities capital assets	<u>\$ 70,409,886</u>	<u>\$ 1,899,877</u>	<u>\$ (10,976)</u>	<u>\$ 72,298,787</u>
	Balance, beginning (as restated)	Additions	Deletions	Balance, ending
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 238,770	\$ -	\$ -	\$ 238,770
Construction in progress	2,058,817	6,666,154	-	8,724,971
Total capital assets not being depreciated	<u>2,297,587</u>	<u>6,666,154</u>	<u>-</u>	<u>8,963,741</u>
Being depreciated:				
Buildings and systems	68,828,548	-	-	68,828,548
Improvements other than buildings	412,390	-	-	412,390
Machinery, vehicles, and furnishings	6,779,158	487,502	(238,981)	7,027,679
Total capital assets being depreciated	<u>76,020,096</u>	<u>487,502</u>	<u>(238,981)</u>	<u>76,268,617</u>
Total all capital assets	<u>78,317,683</u>	<u>7,153,656</u>	<u>(238,981)</u>	<u>85,232,358</u>
Less accumulated depreciation:				
Buildings and systems	(30,130,039)	(420,689)	-	(30,550,728)
Improvements other than buildings	(415,387)	-	-	(415,387)
Machinery, vehicles, and furnishings	(7,168,352)	(909,187)	179,236	(7,898,303)
Total accumulated depreciation	<u>(37,713,778)</u>	<u>(1,329,876)</u>	<u>179,236</u>	<u>(38,864,418)</u>
Net book value, capital assets being depreciated	<u>38,306,318</u>	<u>(842,374)</u>	<u>(59,745)</u>	<u>37,404,199</u>
Net book value, all business-type activities capital assets	<u>\$ 40,603,905</u>	<u>\$ 5,823,780</u>	<u>\$ (59,745)</u>	<u>\$ 46,367,940</u>

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Depreciation/amortization 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	\$ 88,516
Public safety	550,273
Highways and streets	2,187,077
Sanitation	140,660
Culture and recreation	101,078
Total depreciation expense	<u>\$ 3,067,604</u>
Business-type activities:	
Sewer	<u>\$ 1,329,876</u>

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of June 30, 2022 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sewer (Proprietary)	<u>\$ 615,688</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended June 30, 2022 is as follows:

	<u>Transfers In:</u>		
	<u>Governmental</u>		
	<u>General</u>	<u>Fund</u>	
	Fund	Nonmajor	Total
Transfers out:			
General fund	\$ -	\$ 300	\$ 300
Nonmajor fund	95,709	-	95,709
Total	<u>\$ 95,709</u>	<u>\$ 300</u>	<u>\$ 96,009</u>

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

NOTE 9 – ACCRUED LIABILITIES

Accrued liabilities reported at June 30, 2022, were as follows:

	<u>Governmental</u>	<u>Proprietary Fund</u>	<u>General</u>
	Activities	Sewer	Fund
Salary and employee benefits	\$ 1,224,106	\$ -	\$ 1,224,106
Current portion of compensated absences	580,850	50,833	580,850
Total accrued liabilities	<u>\$ 1,804,956</u>	<u>\$ 50,833</u>	<u>\$ 1,804,956</u>

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NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources at June 30, 2022 are as follows:

	Governmental Activities	Business-type Activities	Proprietary Fund Sewer
Amounts related to pensions, see Note 12	\$ 6,922,221	\$ 26,806	\$ 26,806
Amounts related to OPEB, see Note 13	367,687	369,326	369,326
Total deferred outflows of resources	<u>\$ 7,289,908</u>	<u>\$ 396,132</u>	<u>\$ 396,132</u>

Deferred inflows of resources are at June 30, 2022 as follows:

	Governmental Activities	Business-type Activities	Governmental Funds		Proprietary Fund Sewer
			General	Governmental	
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ -	\$ 515,256	\$ -	\$ -
Property taxes collected in advance	42,688,002	-	42,688,002	-	-
Grants and donations	2,916,498	3,116,303	2,906,498	10,000	3,116,303
Amounts related to pensions, see Note 12	7,253,333	386,993	-	-	386,993
Amounts related to OPEB, see Note 13	53,522	4,460	-	-	4,460
Total deferred inflows of resources	<u>\$ 52,911,355</u>	<u>\$ 3,507,756</u>	<u>\$ 46,109,756</u>	<u>\$ 10,000</u>	<u>\$ 3,507,756</u>

NOTE 11 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year	Due In More Than One Year
Governmental activities:						
Bonds payable:						
Direct placements	\$ 2,880,000	\$ -	\$ (300,000)	\$ 2,580,000	\$ 310,000	\$ 2,270,000
Premium	213,457	-	(12,556)	200,901	12,556	188,345
Total bonds payable	<u>3,093,457</u>	<u>-</u>	<u>(312,556)</u>	<u>2,780,901</u>	<u>322,556</u>	<u>2,458,345</u>
Compensated absences	1,255,322	-	(44,990)	1,210,332	-	1,210,332
Accrued landfill postclosure care costs	882,000	-	(21,000)	861,000	42,000	819,000
Net pension liability	32,984,360	-	(9,436,245)	23,548,115	-	23,548,115
Net other postemployment benefits	4,282,998	-	(169,913)	4,113,085	-	4,113,085
Total long-term liabilities	<u>\$ 42,498,137</u>	<u>\$ -</u>	<u>\$ (9,984,704)</u>	<u>\$ 32,513,433</u>	<u>\$ 364,556</u>	<u>\$ 32,148,877</u>
Business-type activities:						
Direct borrowings - notes payable	\$ 5,478,955	\$ -	\$ (611,167)	\$ 4,867,788	\$ 347,699	\$ 4,520,089
Compensated absences	90,096	29,690	-	119,786	-	119,786
Net pension liability	1,683,200	-	(426,820)	1,256,380	-	1,256,380
Net other postemployment benefits	121,933	217,366	-	339,299	-	339,299
Total long-term liabilities	<u>\$ 7,374,184</u>	<u>\$ 247,056</u>	<u>\$ (1,037,987)</u>	<u>\$ 6,583,253</u>	<u>\$ 347,699</u>	<u>\$ 6,235,554</u>

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

Governmental activities:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding at June 30, 2022</u>	<u>Current Portion</u>
Bonds payable						
Direct placements:						
Drainage improvement	\$ 1,708,000	2007	2023	4.47%	\$ 155,000	\$ 155,000
Highway garage	\$ 3,300,000	2018	2038	2.86%	<u>2,425,000</u>	<u>155,000</u>
Total					<u>2,580,000</u>	<u>310,000</u>
Bond premium					<u>200,901</u>	<u>12,556</u>
Total					<u>\$ 2,780,901</u>	<u>\$ 322,556</u>

Business-type activities:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding at June 30, 2022</u>	<u>Current Portion</u>
Direct borrowings - notes payable						
Water pollution	\$ 6,953,982	2017	2036	2.00%	<u>\$ 4,867,788</u>	<u>\$ 347,699</u>

The annual requirements to amortize all general obligation bonds/notes outstanding as of June 30, 2022, including interest payments, are as follows:

Governmental activities:

Fiscal Year Ending			
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 310,000	\$ 100,731	\$ 410,731
2024	155,000	89,145	244,145
2025	155,000	81,240	236,240
2026	155,000	73,335	228,335
2027	155,000	65,430	220,430
2028-2032	750,000	221,625	971,625
2033-2037	750,000	94,875	844,875
2038	150,000	4,838	154,838
Totals	<u>\$ 2,580,000</u>	<u>\$ 731,219</u>	<u>\$ 3,311,219</u>

Business-type activities:

Fiscal Year Ending			
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 347,699	\$ 97,356	\$ 445,055
2024	347,699	90,402	438,101
2025	347,699	83,448	431,147
2026	347,699	76,494	424,193
2027	347,699	69,540	417,239
2028-2032	1,738,496	243,389	1,981,885
2033-2037	1,390,797	69,540	1,460,337
Totals	<u>\$ 4,867,788</u>	<u>\$ 730,169</u>	<u>\$ 5,597,957</u>

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

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State Revolving Loan Fund Program – Drawdowns received under the various State Revolving Loan Fund programs will be consolidated by promissory notes upon substantial completion of the related projects. As of June 30, 2022, drawdowns received to date totaling \$8,724,971 are recorded on the Town’s financial statements, inclusive of any anticipated forgiveness on the loans. The notes, plus interest, will be repaid from the proprietary sewer department fund.

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. The recognition of these landfill postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill postclosure care costs has a balance of \$861,000 as of June 30, 2022. 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, 2022. 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.

Notes Authorized and Unissued – Notes authorized and unissued as of June 30, 2022 were as follows:

Purpose	Unissued Amount
WWTF Upgrade (CWSRF)	\$ 13,895,029

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 – Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). 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.

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service and benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by 1/1/12 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by 1/1/12 the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

Years of Creditable Service as of 1/1/12	Minimum Age	Minimum Service	Benefit Multiplier
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

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.

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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. Group I members are required to contribute 7% of earnable compensation and group II members (police and fire) are required to contribute 11.55% and 11.80% respectively. For fiscal year 2022, the Town contributed 30.67% for police, 29.78% for fire and 13.75% for other employees. The contribution requirement for the fiscal year 2022 was \$2,571,310 which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2022 the Town reported a liability of \$23,548,115 in the governmental activities and \$1,256,380 in the business-type activities for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the Town’s proportion was 0.56% which was an increase of 0.02% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$1,981,974. At June 30, 2022 the Town reported deferred outflows of resources of \$6,922,221 and \$369,326 and deferred inflows of resources related to pensions of \$7,235,333 and \$386,993 in the governmental activities and business-type activities, respectively, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 738,952	\$ 443,391
Changes in assumptions	2,590,690	-
Net difference between projected and actual investment earnings on pension plan investments	-	6,937,249
Differences between expected and actual experience	694,562	259,686
Contributions subsequent to the measurement date	3,267,343	-
Total	\$ 7,291,547	\$ 7,640,326

The \$3,267,343 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. 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,	
2022	\$ (676,602)
2023	(361,546)
2024	(487,374)
2025	(2,090,600)
Totals	\$ (3,616,122)

Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2020, using the following actuarial assumptions which, accordingly, apply to 2021 measurements:

Inflation:	2.0%
Salary increases:	5.6% average, including inflation
Wage inflation:	2.75% (2.25% for teachers)
Investment rate of return:	6.75% net of pension plan investment expense, including inflation

Mortality rates were based on the Pub-2010 Health Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

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The actuarial assumptions used in the June 30, 2021 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

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 weighing 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 2021:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2021
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total international equity	20.00%	
Core US Fixed Income	25.00%	3.60%
Private equity	10.00%	8.85%
Private debt	5.00%	7.25%
Total alternative investments	15.00%	
Real estate	10.00%	6.60%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan’s actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.75% as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2021	\$ 35,473,266	\$ 24,804,495	\$ 15,904,998

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.

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NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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 2020 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 year 2020 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 2021, 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, 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 2022, the Town contributed 3.21% for police and fire, and 0.31% for other employees. The contribution requirement for the fiscal year 2022 was \$285,766 which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2022, the Town reported a liability of \$2,259,720 in the governmental activities and \$121,649 in the business-type activities for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021, the Town’s proportion was 0.59% which was an increase of 0.01% from its proportion measured as of June 30, 2020.

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For the year ended June 30, 2022, the Town recognized OPEB expense of \$163,930. At June 30, 2022, the Town reported deferred outflows of resources of \$257,426 and \$13,858 and deferred inflows of resources related to OPEB of \$28,699 and \$1,545 in the governmental and business-type activities, respectively, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 675	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	29,747
Differences between expected and actual experience	-	497
Contributions subsequent to the measurement date	270,609	-
Total	\$ 271,284	\$ 30,244

The \$270,609 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, 2023. 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 June 30,	
2022	\$ (6,626)
2023	(6,250)
2024	(7,006)
2025	(9,687)
Totals	\$ (29,569)

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2020 and a measurement date of June 30, 2021. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.0% per year
Wage inflation:	2.75% (2.25% for teachers)
Salary increases:	5.6 % average, including inflation
Investment rate of return:	6.75% 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 Pub-2010 Health Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

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 weighing the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

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Following is a table presenting target allocations and long-term rates of return for 2021:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2021
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total international equity	20.00%	
Core US Fixed Income	25.00%	3.60%
Private equity	10.00%	8.85%
Private debt	5.00%	7.25%
Total alternative investments	15.00%	
Real estate	10.00%	6.60%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2021, was 6.75%. 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 6.75% 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 (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2021	\$ 2,588,735	\$ 2,381,369	\$ 2,200,947

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.

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 postemployment 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 Health Trust.

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Employees Covered by Benefit Terms – At July 1, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	77
Active employees	<u>194</u>
Total participants covered by OPEB plan	<u><u>271</u></u>

Total OPEB Liability – The Town’s total OPEB liability of \$2,071,015 (\$1,853,365 and \$217,650 in the governmental and business-type activities, respectively) was measured as of June 30, 2022, and was determined by an actuarial valuation of July 1, 2021.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$2,071,015 (\$1,853,365 and \$217,650 in the governmental and business-type activities, respectively) in the July 1, 2021, 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:	3.77%
Healthcare Cost Trend Rates:	
Current Year Trend	7.00%
Second Year Trend	6.75%
Decrement	0.25%
Ultimate Trend	4.50%
Year Ultimate Trend is Reached	2033
Salary Increases:	3.00%

The discount rate was based on the average of three 20-year bond indices as of July 1, 2021.

Mortality rates were based on the Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables using Employee and Health Annuitant Tables for both pre- and post-retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2021.

Changes in the Total OPEB Liability

	June 30,	
	2021	2022
OPEB liability, beginning of year	\$ 1,801,375	\$ 1,882,634
Changes for the year:		
Service cost	18,248	19,804
Interest	37,007	70,975
Assumption changes	<u>26,004</u>	<u>97,602</u>
OPEB liability end of year:	<u><u>\$ 1,882,634</u></u>	<u><u>\$ 2,071,015</u></u>

Sensitivity of the Town’s OPEB Liability to Changes in the Discount Rate – The July 1, 2021, actuarial valuation was prepared using a discount rate of 3.77%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$1,937,439 or by 6.45%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$2,352,395 or by 13.59%.

	Discount Rate		
	1% Decrease	Baseline 3.77%	1% Increase
Total OPEB Liability	<u><u>\$ 2,352,395</u></u>	<u><u>\$ 2,071,015</u></u>	<u><u>\$ 1,937,439</u></u>

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Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2021, actuarial valuation was prepared using an initial trend rate of 7.00%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$2,207,698 or by 6.60%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$1,930,512 or by 6.78%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 7.00%	1% Increase
Total OPEB Liability	<u>\$ 1,930,512</u>	<u>\$ 2,071,015</u>	<u>\$ 2,207,698</u>

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the Town recognized OPEB expense of \$111,286. At June 30, 2022, the Town reported deferred outflows of resources of \$110,261 and \$12,948 and deferred inflows of resources related to OPEB of \$24,823 and \$2,915 in the governmental and business-type activities, respectively, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	<u>\$ 123,209</u>	<u>\$ 27,738</u>

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 June 30,	
2023	\$ 20,507
2024	20,507
2025	16,154
2026	18,569
2027	19,734
Thereafter	-
Totals	<u>\$ 95,471</u>

NOTE 14 – 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:

Business-type activities:			
Bond Issued	Principal	Interest	Total
C-869 WWTF Dewatering Upgrade	\$ 345,671	\$ 17,629	\$ 363,300
C-909 WWTF Phase II & Compost Facility Upgrade	1,182,179	212,793	1,394,972
	<u>\$ 1,527,850</u>	<u>\$ 230,422</u>	<u>\$ 1,758,272</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.

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At June 30, 2022 the Town is due to receive the following annual amounts to offset debt payments:

Business-type activities:			
Fiscal Year Ending	Principal	Interest	Total
June 30,			
2023	\$ 138,673	\$ 29,520	\$ 168,193
2024	138,674	26,954	165,628
2025	138,674	24,388	163,062
2026	138,674	21,822	160,496
2027	138,675	19,255	157,930
2028-2032	347,700	69,540	417,240
2033-2037	347,700	34,770	382,470
2038-2039	139,080	4,173	143,253
Total	<u>\$ 1,527,850</u>	<u>\$ 230,422</u>	<u>\$ 1,758,272</u>

NOTE 15 – COMMITMENTS

The Town has active construction projects as of June 30, 2022. At year-end, the Town commitments with contractors for specific projects are as follows:

Business-type Activities	Spent to Date	Remaining Commitment
Sewer		
WWTF Phase III (Metheun Construction)	<u>\$ 6,043,288</u>	<u>\$ 13,930,618</u>

NOTE 16 - ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at June 30, 2022 are as follows:

General fund:	
General government	\$ 82,513
Public safety	54,914
Highways and streets	257,495
Sanitation	177,380
Culture and recreation	92,781
Capital outlay	947,561
Total encumbrances	<u>\$ 1,612,644</u>

NOTE 17 – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES, AND FIDUCIARY FUNDS NET POSITION

Governmental and business-type activities and fiduciary fund net position reported on the Statements of Net Position at June 30, 2022 include the following:

	Government-wide Financial Statements			Fiduciary Funds
	Governmental Activities	Business-type Activities	Total	
Net investment in capital assets:				
Net book value, all capital assets	\$ 72,298,787	\$ 46,367,940	\$ 118,666,727	\$ -
Less:				
Direct placements - bonds payable	(2,580,000)	-	(2,580,000)	-
Unamortized bond premiums	(200,901)	-	(200,901)	-
Direct borrowings - notes payable	-	(4,867,788)	(4,867,788)	-
Direct borrowings - SRF	-	(8,724,971)	(8,724,971)	-
Total net investment in capital assets	<u>69,517,886</u>	<u>32,775,181</u>	<u>102,293,067</u>	<u>-</u>

(Continued)

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Governmental and business-type activities, and fiduciary funds net position continued:

	Government-wide Financial Statements			Fiduciary Funds
	Governmental Activities	Business-type Activities	Total	
Restricted net position:				
Capital projects	800,142	-	800,142	-
Perpetual care - nonexpendable	1,950,904	-	1,950,904	-
Perpetual care - expendable	1,685,304	-	1,685,304	-
Other nonspendable	859,920	-	859,920	-
Individuals, organizations, and other governments	-	-	-	12,332,376
Total restricted net position	<u>5,296,270</u>	<u>-</u>	<u>5,296,270</u>	<u>12,332,376</u>
Unrestricted	<u>(11,652,183)</u>	<u>6,498,563</u>	<u>(5,153,620)</u>	-
Total net position	<u>\$ 63,161,973</u>	<u>\$ 39,273,744</u>	<u>\$ 102,435,717</u>	<u>\$ 12,332,376</u>

NOTE 18 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2022 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 44,780	\$ -	\$ 44,780
Tax deeded property	40,539	-	40,539
Long-term receivable	545,776	-	545,776
Permanent fund - principal balance	-	1,950,904	1,950,904
Inventory	228,825	-	228,825
Total nonspendable fund balance	<u>859,920</u>	<u>1,950,904</u>	<u>2,810,824</u>
Restricted:			
Capital projects	650,000	150,142	800,142
Permanent fund - income balance	-	1,685,304	1,685,304
Total restricted fund balance	<u>650,000</u>	<u>1,835,446</u>	<u>2,485,446</u>
Committed:			
Expendable trust	4,707,944	-	4,707,944
Cable television	-	182,207	182,207
Library fines	-	173,465	173,465
Fire protection	-	69,233	69,233
Heritage	-	21,384	21,384
Conservation commission	-	47,945	47,945
Current use	-	1,002,058	1,002,058
Recreation revolving	-	121,280	121,280
Total committed fund balance	<u>4,707,944</u>	<u>1,617,572</u>	<u>6,325,516</u>
Assigned:			
Encumbrances	1,612,644	-	1,612,644
Contingency	750,000	-	750,000
Total assigned fund balance	<u>2,362,644</u>	<u>-</u>	<u>2,362,644</u>
Unassigned	<u>8,979,537</u>	<u>-</u>	<u>8,979,537</u>
Total governmental fund balances	<u>\$ 17,560,045</u>	<u>\$ 5,403,922</u>	<u>\$ 22,963,967</u>

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NOTE 19 – PRIOR PERIOD ADJUSTMENT

Net position at July 1, 2021 was restated to give retroactive effect to the following prior period adjustment:

	Business-type Activities
	Proprietary Fund
	Sewer
To restate for additional construction in progress not previously reported	\$ 334,980
Net position, as previously reported	38,346,334
Net position, as restated	\$ 38,681,314

NOTE 20 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2022, 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, 2021 to June 30, 2022 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and for each properly loss it is based upon the Town's property schedule on file with Primex³. 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. In fiscal year 2021-22 the Town paid \$265,046 and \$400,882 respectively, to Primex for property, liability and worker's compensation. 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 21 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Town had no such tax abatement programs as of June 30, 2022.

NOTE 22 – COVID-19

As a result of the spread of COVID-19, Coronavirus, economic uncertainties continue. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 23 – CONTINGENT LIABILITIES

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

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

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

NOTE 24 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through February 14, 2023, the date the June 30, 2022 financial statements were available to be issued, and no events occurred that requires 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, 2022
Unaudited

Fiscal year-end	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Town's proportion of the net pension liability	0.56%	0.57%	0.55%	0.54%	0.58%	0.55%	0.55%	0.54%	0.56%
Town's proportionate share of the net pension liability	\$ 24,263,901	\$ 21,330,687	\$ 21,818,453	\$ 28,827,106	\$ 28,358,895	\$ 26,542,760	\$ 26,509,832	\$ 34,667,560	\$ 24,804,495
Town's covered payroll (as of the measurement date)	\$ 9,390,075	\$ 9,578,569	\$ 10,375,880	\$ 10,921,043	\$ 12,177,537	\$ 12,507,395	\$ 12,922,734	\$ 13,575,979	\$ 13,575,979
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%	212.22%	205.14%	255.36%	182.71%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%	72.22%

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, 2022
Unaudited

Fiscal year-end	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Contractually required contribution	\$ 1,401,861	\$ 1,843,615	\$ 1,847,730	\$ 1,941,175	\$ 2,112,466	\$ 2,329,809	\$ 2,397,635	\$ 2,407,821	\$ 2,571,310
Contributions in relation to the contractually required contributions	(1,401,861)	(1,843,615)	(1,847,730)	(1,941,175)	(2,112,466)	(2,329,809)	(2,397,635)	(2,407,821)	(2,571,310)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll (as of the fiscal year-end)	\$ 9,390,075	\$ 9,578,569	\$ 10,375,880	\$ 10,921,043	\$ 12,177,537	\$ 12,507,395	\$ 12,922,734	\$ 13,575,979	\$ 12,615,740
Contributions as a percentage of covered payroll	14.93%	19.25%	17.81%	17.77%	17.35%	18.63%	18.55%	17.74%	20.38%

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
JUNE 30, 2022**

***Schedule of the Town's Proportionate Share of Net Pension Liability and
Schedule of Town Contributions - Pensions***

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – There were no changes in assumptions for the current period.

Methods and Assumptions Used to Determine Contribution Rates – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at www.nhrs.org.

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, 2022. 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.

EXHIBIT I
TOWN OF MERRIMACK, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2022
Unaudited

Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Town's proportion of the net OPEB liability	0.41%	0.44%	0.63%	0.63%	0.58%	0.59%
Town's proportionate share of the net OPEB liability (asset)	\$ 1,999,186	\$ 2,008,147	\$ 2,888,468	\$ 2,757,912	\$ 2,522,297	\$ 2,381,369
Town's covered payroll (as of the measurement date)	\$ 10,921,043	\$ 12,177,537	\$ 12,507,395	\$ 12,922,734	\$ 13,575,979	\$ 13,575,979
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	18.31%	16.49%	23.09%	21.34%	18.58%	17.54%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%	11.06%

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, 2022
Unaudited

Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Contractually required contribution	\$ 239,958	\$ 260,311	\$ 279,058	\$ 287,082	\$ 267,479	\$ 285,766
Contributions in relation to the contractually required contribution	(239,958)	(260,311)	(279,058)	(287,082)	(267,479)	(285,766)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll (as of the fiscal year end)	<u>\$ 10,921,043</u>	<u>\$ 12,177,537</u>	<u>\$ 12,507,395</u>	<u>\$ 12,922,734</u>	<u>\$ 13,575,979</u>	<u>\$ 12,615,740</u>
Contributions as a percentage of covered payroll	2.20%	2.14%	2.23%	2.22%	1.97%	2.27%

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
Retiree Health Benefit Program
For the Fiscal Year Ended June 30, 2022
Unaudited

	June 30,		
	2020	2021	2022
OPEB liability, beginning of year	\$ 1,802,736	\$ 1,801,375	\$ 1,882,634
Changes for the year:			
Service cost	7,008	18,248	19,804
Interest	43,987	37,007	70,975
Assumption changes	(52,356)	26,004	97,602
OPEB liability, end of year	<u>\$ 1,801,375</u>	<u>\$ 1,882,634</u>	<u>\$ 2,071,015</u>
Covered payroll	<u>\$ 9,820,531</u>	<u>\$ 9,820,531</u>	<u>\$ 12,135,627</u>
Total OPEB liability as a percentage of covered payroll	18.34%	19.17%	17.07%

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

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

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

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – There were no changes in assumptions for the current period.

Methods and Assumptions Used to Determine Contribution Rates – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at www.nhrs.org.

As required by GASB Statement No. 75, Exhibits I, J, and K represent the actuarial determined costs associated with the Town's other postemployment benefits at June 30, 2022. 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.

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

The following drove the changes in the total other postemployment benefits liability and related ratios when compared to the prior implemented liability:

- Change in discount rate assumption from 2.09% to 3.77% decreased the liability.
- Change in other assumptions (e.g., plan costs, decrement tables) since the prior valuation.
- Change in number of employees since the prior valuation.

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, 2022. 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.

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, 2022

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 17,537,426	\$ 17,796,179	\$ 258,753
Land use change	150,000	480,727	330,727
Yield	5,700	3,767	(1,933)
Timber	250,000	250,000	-
Payment in lieu of taxes	7,543	7,247	(296)
Interest and penalties on taxes	221,130	140,366	(80,764)
Total from taxes	<u>18,171,799</u>	<u>18,678,286</u>	<u>506,487</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	5,625,000	5,854,190	229,190
Building permits	225,000	210,944	(14,056)
Other	314,415	363,085	48,670
Total from licenses, permits, and fees	<u>6,164,415</u>	<u>6,428,219</u>	<u>263,804</u>
Intergovernmental:			
State:			
Meals and rooms distribution	1,997,671	1,997,671	-
Highway block grant	580,815	589,261	8,446
Other	136,985	203,923	66,938
Federal:			
Other	5,668,020	2,068,241	(3,599,779)
Total from intergovernmental	<u>8,383,491</u>	<u>4,859,096</u>	<u>(3,524,395)</u>
Charges for services:			
Income from departments	<u>1,679,022</u>	<u>2,178,789</u>	<u>499,767</u>
Miscellaneous:			
Sale of municipal property	48,050	120,366	72,316
Interest on investments	233,927	73,480	(160,447)
Other	633,846	603,846	(30,000)
Total from miscellaneous	<u>915,823</u>	<u>797,692</u>	<u>(118,131)</u>
Other financing sources:			
Transfers in	<u>4,697,695</u>	<u>1,959,184</u>	<u>(2,738,511)</u>
Total revenues and other financing sources	40,012,245	<u>\$ 34,901,266</u>	<u>\$ (5,110,979)</u>
Unassigned fund balance used to reduce tax rate	<u>1,650,000</u>		
Total revenues, other financing sources, and use of fund balance	<u>\$ 41,662,245</u>		

See Independent Auditor's Report.

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, 2022

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Election and registration	\$ -	\$ 19,947	\$ 14,171	\$ -	\$ 5,776
Revaluation of property	24,742	336,876	341,618	-	20,000
Planning and zoning	11,625	562,905	520,230	38,065	16,235
General government buildings	4,837	330,175	293,542	28,640	12,830
Other	66,954	3,210,435	2,739,853	15,808	521,728
Total general government	<u>108,158</u>	<u>4,460,338</u>	<u>3,909,414</u>	<u>82,513</u>	<u>576,569</u>
Public safety:					
Police	25,345	7,440,854	7,170,907	13,967	281,325
Fire	104,729	9,727,684	7,102,579	40,947	2,688,887
Building inspection	-	479,121	492,757	-	(13,636)
Emergency management	-	882,964	837,938	-	45,026
Total public safety	<u>130,074</u>	<u>18,530,623</u>	<u>15,604,181</u>	<u>54,914</u>	<u>3,001,602</u>
Highways and streets:					
Administration	16,779	549,444	551,532	9,402	5,289
Highways and streets	126,682	2,878,823	2,644,180	173,093	188,232
Other	-	569,088	481,494	75,000	12,594
Total highways and streets	<u>143,461</u>	<u>3,997,355</u>	<u>3,677,206</u>	<u>257,495</u>	<u>206,115</u>
Sanitation:					
Solid waste disposal	3,167	1,717,334	1,688,312	177,380	(145,191)
Health:					
Health agencies	-	76,905	76,905	-	-
Welfare:					
Administration and direct assistance	-	92,145	68,241	-	23,904
Culture and recreation:					
Parks and recreation	30,569	504,013	529,008	4,925	649
Library	93,195	1,148,236	1,078,013	87,856	75,562
Patriotic purposes	-	51,000	28,696	-	22,304
Other	-	2,332	205	-	2,127
Total culture and recreation	<u>123,764</u>	<u>1,705,581</u>	<u>1,635,922</u>	<u>92,781</u>	<u>100,642</u>
Conservation	2,320	5,168	1,148	-	6,340
Debt service:					
Principal of long-term debt	-	300,000	300,000	-	-
Interest on long-term debt	-	108,661	108,661	-	-
Interest on tax anticipation notes	-	1	-	-	1
Total debt service	<u>-</u>	<u>408,662</u>	<u>408,661</u>	<u>-</u>	<u>1</u>
Capital outlay	1,899,713	8,787,834	6,442,564	947,561	3,297,422
Other financing uses:					
Transfers out	-	1,880,300	1,880,300	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u><u>\$ 2,410,657</u></u>	<u><u>\$ 41,662,245</u></u>	<u><u>\$ 35,392,854</u></u>	<u><u>\$ 1,612,644</u></u>	<u><u>\$ 7,067,404</u></u>

See Independent Auditor's Report

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, 2022

Unassigned fund balance, beginning		\$ 8,714,637
Changes:		
Unassigned fund balance used to reduce 2021-22 tax rate		(1,650,000)
2021-22 Budget summary:		
Revenue shortfall (Schedule 1)	\$ (5,110,979)	
Unexpended balance of appropriations (Schedule 2)	<u>7,067,404</u>	
Budget surplus		1,956,425
Increase in nonspendable fund balance		<u>(41,525)</u>
Unassigned fund balance, ending		<u>\$ 8,979,537</u>

See Independent Auditor's Report.

SCHEDULE 4
TOWN OF MERRIMACK, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	Special Revenue Funds				
	Cable Television	Library Fines	Fire Protection	Heritage	Conservation Commission
ASSETS					
Cash and cash equivalents	\$ 210,563	\$ 113,571	\$ 69,233	\$ 21,384	\$ 47,945
Investments	-	59,894	-	-	-
Taxes receivable	-	-	-	-	-
Total assets	<u>\$ 210,563</u>	<u>\$ 173,465</u>	<u>\$ 69,233</u>	<u>\$ 21,384</u>	<u>\$ 47,945</u>
LIABILITIES					
Accounts payable	\$ 18,356	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - cable television	10,000	-	-	-	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	182,207	173,465	69,233	21,384	47,945
Total fund balances	<u>182,207</u>	<u>173,465</u>	<u>69,233</u>	<u>21,384</u>	<u>47,945</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 210,563</u>	<u>\$ 173,465</u>	<u>\$ 69,233</u>	<u>\$ 21,384</u>	<u>\$ 47,945</u>

Special Revenue Funds		Capital Projects Funds		Permanent Fund	Total
Current Use	Recreation Revolving	General	Highway Garage		
\$ 997,360	\$ 130,278	\$ 150,142	\$ -	\$ 154,104	\$ 1,894,580
-	-	-	-	3,482,104	3,541,998
6,663	-	-	-	-	6,663
<u>\$ 1,004,023</u>	<u>\$ 130,278</u>	<u>\$ 150,142</u>	<u>\$ -</u>	<u>\$ 3,636,208</u>	<u>\$ 5,443,241</u>
\$ 1,965	\$ 8,998	\$ -	\$ -	\$ -	\$ 29,319
-	-	-	-	-	10,000
-	-	-	-	1,950,904	1,950,904
-	-	150,142	-	1,685,304	1,835,446
1,002,058	121,280	-	-	-	1,617,572
<u>1,002,058</u>	<u>121,280</u>	<u>150,142</u>	<u>-</u>	<u>3,636,208</u>	<u>5,403,922</u>
<u>\$ 1,004,023</u>	<u>\$ 130,278</u>	<u>\$ 150,142</u>	<u>\$ -</u>	<u>\$ 3,636,208</u>	<u>\$ 5,443,241</u>

See Independent Auditor's Report.

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, 2022

	Special Revenue Funds				
	Cable Television	Library Fines	Fire Protection	Heritage	Conservation Commission
REVENUES					
Taxes	\$ 146,240	\$ -	\$ -	\$ -	\$ -
Charges for services	-	18,004	105,206	-	-
Miscellaneous	467	490	-	561	100
Unrealized loss on investments	-	-	-	-	-
Total revenues	<u>146,707</u>	<u>18,494</u>	<u>105,206</u>	<u>561</u>	<u>100</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	111,214	-	-
Culture and recreation	257,845	19,856	-	363	-
Conservation	-	-	-	-	-
Capital outlay	68,262	2,452	-	-	-
Total expenditures	<u>326,107</u>	<u>22,308</u>	<u>111,214</u>	<u>363</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(179,400)</u>	<u>(3,814)</u>	<u>(6,008)</u>	<u>198</u>	<u>100</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	300	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>300</u>	<u>-</u>
Net change in fund balances	(179,400)	(3,814)	(6,008)	498	100
Fund balances, beginning	361,607	177,279	75,241	20,886	47,845
Fund balances, ending	<u>\$ 182,207</u>	<u>\$ 173,465</u>	<u>\$ 69,233</u>	<u>\$ 21,384</u>	<u>\$ 47,945</u>

Special Revenue Funds		Capital Projects Funds			Permanent Fund	Total
Current Use	Recreation Revolving	General	Highway Garage			
\$ 6,663	\$ -	\$ -	\$ -	\$ -	\$ 152,903	
-	334,738	131,245	-	-	589,193	
2,058	115	446	-	160,101	164,338	
-	-	-	-	(238,216)	(238,216)	
<u>8,721</u>	<u>334,853</u>	<u>131,691</u>	<u>-</u>	<u>(78,115)</u>	<u>668,218</u>	
-	-	-	-	42,062	42,062	
-	-	-	-	-	111,214	
-	306,728	-	-	-	584,792	
8,686	-	-	-	-	8,686	
-	-	125,000	-	-	195,714	
<u>8,686</u>	<u>306,728</u>	<u>125,000</u>	<u>-</u>	<u>42,062</u>	<u>942,468</u>	
35	28,125	6,691	-	(120,177)	(274,250)	
-	-	-	-	-	300	
-	-	-	(95,709)	-	(95,709)	
-	-	-	(95,709)	-	(95,409)	
35	28,125	6,691	(95,709)	(120,177)	(369,659)	
1,002,023	93,155	143,451	95,709	3,756,385	5,773,581	
<u>\$ 1,002,058</u>	<u>\$ 121,280</u>	<u>\$ 150,142</u>	<u>\$ -</u>	<u>\$ 3,636,208</u>	<u>\$ 5,403,922</u>	

See Independent Auditor's Report.

SCHEDULE 6
TOWN OF MERRIMACK, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Fiduciary Net Position
June 30, 2022

	Custodial Funds			Total
	Taxes	Trust Funds	State of NH Motor Vehicle Registrations	
ASSETS				
Cash and cash equivalents	\$ -	\$ 2,834,940	\$ -	\$ 2,834,940
Investments	-	9,111,812	-	9,111,812
Total assets	-	11,946,752	-	11,946,752
NET POSITION				
Restricted	\$ -	\$ 11,946,752	\$ -	\$ 11,946,752

See Independent Auditor's Report.

SCHEDULE 7
TOWN OF MERRIMACK, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2022

	Custodial Funds			Total
	Taxes	Trust Funds	State of NH Motor Vehicle Permit Fees	
Additions:				
Contributions	\$ -	\$ 236,923	\$ -	\$ 236,923
Investment earnings	-	307,724	-	307,724
Unrealized loss on investments	-	(423,325)	-	(423,325)
Tax collections for other governments	65,263,801	-	-	65,263,801
Motor vehicle permit fees collected	-	-	1,694,040	1,694,040
Total additions	<u>65,263,801</u>	<u>121,322</u>	<u>1,694,040</u>	<u>67,079,163</u>
Deductions:				
Trust fund reimbursements	-	1,018,706	-	1,018,706
Payments of taxes to other governments	65,263,801	-	-	65,263,801
Payments of motor vehicle permit fees	-	-	1,694,040	1,694,040
Total deductions	<u>65,263,801</u>	<u>1,018,706</u>	<u>1,694,040</u>	<u>67,976,547</u>
Change in net position	-	(897,384)	-	(897,384)
Net position, beginning	-	12,844,136	-	12,844,136
Net position, ending	<u>\$ -</u>	<u>\$ 11,946,752</u>	<u>\$ -</u>	<u>\$ 11,946,752</u>

***SINGLE AUDIT ACT SCHEDULES AND
INDEPENDENT AUDITOR'S REPORTS***



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each governmental and proprietary major funds, and the aggregate remaining fund information of the Town of Merrimack, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Merrimack's basic financial statements, and have issued our report thereon dated February 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Merrimack's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Merrimack's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Merrimack's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

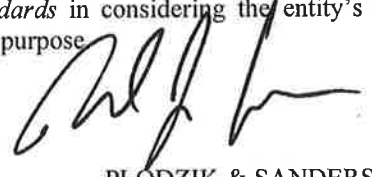
As part of obtaining reasonable assurance about whether the Town of Merrimack's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Town of Merrimack
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an audit of Financial Statements Performed in Accordance With Government
Auditing Standards***

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

February 14, 2023
Concord, New Hampshire



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Merrimack's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town of Merrimack's major federal programs for the year ended June 30, 2022. The Town of Merrimack's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Merrimack complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Merrimack and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Merrimack's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town of Merrimack's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Merrimack's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omission,

Town of Merrimack

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Merrimack's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Merrimack's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town of Merrimack's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Merrimack's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

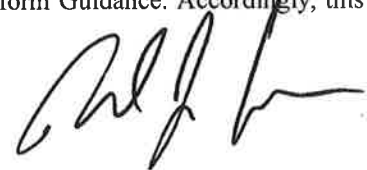
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

February 14, 2023
Concord, New Hampshire



PLODZIK & SANDERSON
Professional Association

SCHEDULE II
Town of Merrimack
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
Passed Through the New Hampshire Department of Transportation				
Highway Planning and Construction	20.205	40300	\$ -	\$ 83,143
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through the New Hampshire Department of Safety				
State and Community Highway Safety	20.600	22-118	-	6,562
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Passed Through the State of New Hampshire Department of Environmental Services				
Clean Water State Revolving Fund (Note 4)	66.458	CS-330215-11	-	5,968,309
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through the New Hampshire Department of Safety				
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4516-DR-NH	-	291,407
DIRECT FUNDING				
U.S. DEPARTMENT OF JUSTICE				
Bulletproof Vest Partnership Program	16.607	N/A	-	2,696
U.S. DEPARTMENT OF TREASURY				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	1,448,167
U.S. DEPARTMENT OF HOMELAND SECURITY				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	-	236,266
Total Expenditures of Federal Awards			\$ -	\$ 8,036,550

The accompanying notes are an integral part of this schedule.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Town of Merrimack under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Merrimack, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Merrimack.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Town of Merrimack has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Loans Outstanding

The Town of Merrimack had the following loan balance outstanding at June 30, 2022. The loans made during the year are included in the Federal expenditures presented in Schedule II.

<i>Assistance Listing Number</i>	<i>Program Name</i>	<i>Total Outstanding Balance at June 30, 2022</i>
66.458	Clean Water State Revolving Fund	\$5,968,309