

**TOWN OF MERRIMACK,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

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Graham & Veroff

Certified Public Accountants
Business Advisors & Management Consultants

The Solution Group

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, major fund, and aggregate remaining fund information of the Town of Merrimack as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, major fund, and aggregate remaining fund information of the Town of Merrimack as of June 30, 2020, and the respective changes in financial position and, the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

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

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

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

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

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

Graham & Veroff, PC

Graham & Veroff, P.C.
Laconia, New Hampshire
November 10, 2020
NH Registration #659

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, 2020.

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. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances both provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the Governmental Funds Balance sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance for the general fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining schedules in the combining and individual fund schedules section of this report.

An annual appropriated budget is adopted for the general fund and certain non-major governmental (special revenue) funds. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with budgets.

Proprietary funds. Proprietary funds are maintained as follows:

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Town's sewer operations. The Sewer Fund is classified as a major fund.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$96,740,695 (i.e., net position), a decrease of \$2,435,201 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$23,126,860, a decrease of \$924,529 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the governmental funds was \$9,443,525, a decrease of \$691,812 in comparison to the prior year.
- Cash and cash equivalents plus investments for Governmental Funds totaled \$51,584,700 as of June 30, 2020, a decrease of \$8,294,476 as compared to a total of \$59,879,176 as of June 30, 2019.
- Total bonds and notes payable at the close of the current fiscal year was \$9,546,958, a decrease of \$964,546 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

NET POSITION (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 69,204	\$ 68,912	\$ 6,316	\$ 5,238	\$ 75,520	\$ 74,150
Capital assets	68,091	69,025	40,569	40,761	108,660	109,786
Total assets	137,295	137,937	46,885	45,999	184,180	183,936
Deferred outflows of resources	4,125	5,798	208	298	4,333	6,096
Long-term liabilities outstanding	35,214	35,204	7,608	8,320	42,822	43,524
Other liabilities	2,923	1,653	1,122	171	4,045	1,824
Total liabilities	38,137	36,857	8,730	8,491	46,867	45,348
Deferred inflows of resources	44,197	44,697	707	811	44,904	45,508
Net position:						
Net investment in capital assets	64,690	65,327	33,618	33,948	98,308	99,275
Restricted	3,408	3,653	118	113	3,526	3,766
Unrestricted	(9,012)	(6,799)	3,918	2,934	(5,094)	(3,865)
Total net position	\$ 59,086	\$ 62,181	\$ 37,654	\$ 36,995	\$ 96,740	\$ 99,176

CHANGES IN NET POSITION (In thousands)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues						
Charges for services	\$ 2,146	\$ 2,174	\$ 5,519	\$ 5,050	7,665	\$ 7,224
Operating grants and contributions	335	647	79	89	414	736
Capital grants and contributions	607	597	-	-	607	597
General revenues						
Property and other taxes	16,161	17,174	-	-	16,161	17,174
Licenses and permits	6,061	6,016	-	-	6,061	6,016
Grants and contributions not restricted to specific programs	4,426	1,781	-	-	4,426	1,781
Investment income	638	1,335	67	78	705	1,413
Other	148	139	-	45	148	184
Total revenues	30,522	29,863	5,665	5,262	36,187	35,125
Expenses:						
General government	4,036	3,656	-	-	4,036	3,656
Public safety	15,028	13,830	-	-	15,028	13,830
Highways and streets	5,587	5,622	-	-	5,587	5,622
Health and welfare	146	1,619	-	-	146	1,619
Sanitation	2,075	144	-	-	2,075	144
Culture and recreation	2,300	2,181	-	-	2,300	2,181
Community development	12	33	-	-	12	33
Interest on long-term debt	116	142	-	-	116	142
Capital outlay	4,317	676	-	-	4,317	676
Sewer operations	-	-	5,005	4,935	5,005	4,940
Total expenses	33,617	27,903	5,005	4,935	38,622	32,843
Change in net position	(3,095)	1,960	660	327	(2,435)	2,287
Net position – beginning of year	62,181	60,221	36,995	36,668	99,176	96,889
Net Position – end of year	\$ 59,086	\$ 60,181	\$ 37,654	\$ 36,995	\$ 96,741	\$ 99,176

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 \$98,308,363 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 \$3,526,549 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$(5,094,217) 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 \$(3,094,564). Key elements of this change are as follows:

Excess of revenues and transfers in over expenditures and transfers out:	
General fund operations	\$ (524,543)
Special revenue funds	(133,005)
Capital projects funds	(76,311)
Permanent funds	<u>(190,670)</u>
Subtotal	(924,529)
Depreciation in excess of debt service principal pay down	(2,498,432)
Capital assets acquired from current and prior year revenues, non-bonded	1,861,499
Change in recognized pension obligations	(1,022,777)
Change in recognized OPEB obligations	(59,779)
Change in compensated absences, accrued interest expense and accrued landfill post closure care costs	(438,307)
Change in deferred tax and other unavailable revenue	<u>(12,239)</u>
Total	\$ <u><u>(3,094,564)</u></u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$659,363. This change primarily resulted from an increase in user charges 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, the 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 \$9,443,525; committed fund balance (non-sewer capital reserves) was \$4,922,820, while total fund balance was \$18,107,760. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below:

<u>General Fund</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>
Unassigned fund balance	\$ 9,443,525	\$ 10,135,337	\$ (691,812)
Committed fund balance (Capital Reserves)	4,922,820	5,149,572	(226,752)
Other fund balance	3,741,415	3,347,394	394,021
Total fund balance	<u>\$ 18,107,760</u>	<u>\$ 18,632,303</u>	<u>\$ 524,543</u>
Unassigned fund balance as a % of total general fund expenditures	29.3%	37.2%	
Committed fund balance (capital reserves) as a % of total general fund expenditures	15.3%	18.9%	
Total fund balance as a % of general fund expenditures	56.2%	68.1%	

The general fund balance decreased by \$524,543 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of adjusted budget	\$ 1,295,357
Expenditures less than adjusted budget	3,401,545
Net transfers less than adjusted budget	(4,328,105)
Increase in encumbrances	(394,021)
Other	<u>(499,319)</u>
Total	<u>\$ (524,543)</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 \$3,918,146. The overall net position of the Sewer Fund increased by \$659,363 in comparison to the prior year, primarily due to higher user charges 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 were \$1,295,358, or 4.5%, higher than final budgeted revenues for the fiscal year ended June 30, 2020, primarily as a result of higher than anticipated state aid and grants, auto registrations, and current use and yield taxes, along with lower than expected tax abatements. These favorable changes were partially offset by lower than expected interest earnings, sales of property and equipment, and ambulance revenues. Below is a brief summary of the most significant revenue variances:

- The Town received unanticipated reimbursements from the State of New Hampshire for COVID-19 related expenditures of \$207,000 and higher than expected state bridge construction aid due to the timing of certain bridge construction projects.
- Vehicle registration revenues were higher than projections by \$140,000.
- Current use and yield taxes were higher than budgeted amounts by \$47,000.
- Fees charged to users of the Town's transfer station facilities were higher than budgeted amounts by \$5,000.
- Police grant revenues were higher than anticipated by \$15,000.
- Tax overlay was lower than the budgeted amount by \$304,000.
- Ambulance revenues were lower than projections by \$48,000.
- Building permits were less than estimated by \$3,000.
- Revenues generated by the Town's single stream recycling program were less than amounts budgeted for by \$15,000.
- Interest income from investments was lower than the budgeted amount by \$244,000 as a result of the unanticipated reduction in investment interest rates in the fourth quarter of the fiscal year as a result of the COVID-19 pandemic.
- Interest received on outstanding and delinquent taxes was lower than budget by \$88,000.

Overall actual current year expenditures, net of transfers from the Town's Capital Reserve Funds, were less than final budgeted expenditures by approximately \$3.4 million for the fiscal year. Unspent General Fund appropriations were due to several factors including self-imposed reductions in expenditures as well as staffing turnover. Below is a brief summary of the most significant expense variances.

- Salaries and Wages were under budget by \$824,000, 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 \$202,000 principally as a result of the demands on first responders caused by the COVID-19 pandemic, as well as turnover in the Fire and Police Departments which required overtime to maintain necessary coverage levels.
- Payroll taxes and employer funded retirement, dental, health, and disability insurance were lower than budgeted amounts by \$349,000 as a result of the same staff turnover issues referred to above.
- Payments due to employees upon termination were higher than the budget by \$160,000 as a result of certain unexpected retirements.
- Utility expenses for electricity, heating, water, sewer, and telephone were \$19,000 over budget estimates.
- Vehicle fuel costs came in lower than appropriations by \$13,000.
- Legal expenses were higher than budgeted appropriations by \$78,000.
- Buildings and grounds maintenance and repairs expenditures were under budget by \$28,000.
- Vehicle and equipment maintenance and repairs expenditures came in \$65,000 lower than budget.
- Education and training expenses were under budget by \$70,000.
- Salt and sand purchases were under budget by \$61,000 due to the relatively mild winter.
- Expenditures on office equipment were \$24,000 higher than budgeted amounts.
- Expenditures on certain infrastructure projects by the Highway and Parks and Recreation Departments were \$731,000 below budget due to delays in the timing of such projects.
- Transfers from the Town's Capital Reserve Funds were lower than budgeted amounts by \$1,645,000 due to delays in certain planned capital expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$108,659,483 (net of accumulated depreciation), a change of \$(1,127,023) from the prior year. This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways and bridges.

Major capital asset events during the current fiscal year primarily consisted of certain road, culvert, and bridge infrastructure improvements, as well as a new radio communication system for the Fire Department, along with the purchase of certain police, fire, solid waste and highway vehicles and the purchase of a new telephone system for all Town facilities.

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

Long-term debt. At the end of the current fiscal year, total debt outstanding for bonds and notes payable was \$9,546,958 , 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

Despite the COVID-19 Pandemic, the Town's financial position remains strong. The Town has sufficient cash flow to meet its current obligations. As of September 2020, the Town's unemployment rate was 4.9%, reflecting the effects of the corona virus, but it still compares favorably with the state and national averages of 6.0% and 7.9% respectively, Merrimack continues to see growth in its industrial, commercial, and residential tax bases despite the current challenging environment. These factors should continue to support a healthy local economy and provide diverse employment opportunities assuming that a COVID-19 vaccine becomes available sometime in 2021. Development over the past several years, along with expected future development, also increase demands on the Town's infrastructure and services. Despite these demands, the Town believes it is well positioned in terms of its capital reserves and low outstanding debt obligations to be able to meet its needs for the foreseeable future. The Town is also prepared in the event of prolonged economic downturn to maintain service levels and reduce operating expenditures if necessary, in the event that projected revenue estimates cannot be met.

The Town's voters adopted the 2020-2021 budget, and the 2020 property tax rate (Fiscal Year 2020) was set in November. Municipal appropriations, net of non-tax revenues, have increased by \$1.8 million (10.8%) compared to 2019-2020 net appropriations, and the municipal portion of the tax rate was set at \$5.06 per thousand. The Town's portion of the tax rate increased by \$0.35 compared to the prior fiscal year, which can primarily be attributed to additional staffing needs in the DPW and Police Departments to maintain adequate service levels in light of the Town's growth over the past several years, along with higher health care costs and an increase in capital reserve fund deposits. These increases in projected expenditures were partially offset by an increase in the amount of the Town's unassigned fund balance used to offset required taxes.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Attention: Town Council

Town of Merrimack

6 Baboosic Lake Road

Merrimack, New Hampshire 03054


Eileen Cabanel
Town Manager


Paul T Micali CPA
Finance Director

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF MERRIMACK, NEW HAMPSHIRE
STATEMENT OF NET POSITION
June 30, 2020

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 43,918,406	\$ 4,281,609	\$ 48,200,015
Investments	7,666,294	159,969	7,826,263
Accounts receivable (net)	698,334	847,598	1,545,932
Loan receivable	-	329,491	329,491
Taxes receivable (net)	14,895,418	-	14,895,418
Intergovernmental receivable	1,778,681	697,522	2,476,203
Inventory	191,771	-	191,771
Prepaid expenses	15,030	-	15,030
Tax deeded property, subject to resale	40,286	-	40,286
Capital assets:			
Land and construction in progress	19,391,192	1,042,932	20,434,124
Other capital assets, net of depreciation	48,699,786	39,525,573	88,225,359
Total assets	<u>137,295,198</u>	<u>46,884,694</u>	<u>184,179,892</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	3,854,472	193,977	4,048,449
Deferred amounts related to OPEB	270,526	13,615	284,141
Total deferred outflows of resources	<u>4,124,998</u>	<u>207,592</u>	<u>4,332,590</u>
LIABILITIES			
Accounts payable	427,058	233,591	660,649
Accrued salaries and benefits	881,746	30,375	912,121
Accrued interest payable	55,339	54,812	110,151
Intergovernmental payable	95,159	-	95,159
Other payable	1,462,495	-	1,462,495
Note payable	-	804,162	804,162
Long-term liabilities:			
Due within one year	349,556	666,990	1,016,546
Due in more than one year	34,865,308	6,940,565	41,805,873
Total liabilities	<u>38,136,661</u>	<u>8,730,495</u>	<u>46,867,156</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue - property taxes	42,375,856	-	42,375,856
Deferred amounts related to pensions	1,519,883	76,489	1,596,372
Deferred amounts related to OPEB	8,358	421	8,779
Unavailable revenue - other	283,061	-	283,061
Unavailable revenue - CATV	10,000	-	10,000
Unavailable revenue - sewer fund	-	630,563	630,563
Total deferred inflows of resources	<u>44,197,158</u>	<u>707,473</u>	<u>44,904,631</u>
NET POSITION			
Net investment in capital assets	64,689,965	33,618,398	98,308,363
Restricted	3,408,775	117,774	3,526,549
Unrestricted	(9,012,363)	3,918,146	(5,094,217)
TOTAL NET POSITION	<u>\$ 59,086,377</u>	<u>\$ 37,654,318</u>	<u>\$ 96,740,695</u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements

EXHIBIT B
TOWN OF MERRIMACK, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 4,036,546	\$ 415,018	\$ -	\$ -	\$ (3,621,528)	\$ -	\$ (3,621,528)
Public safety	15,027,945	953,614	85,068	-	(13,989,263)	-	(13,989,263)
Highways and streets	5,587,183	1,625	125,700	606,987	(4,852,871)	-	(4,852,871)
Sanitation	2,074,586	549,110	-	-	(1,525,476)	-	(1,525,476)
Health and welfare	146,746	-	-	-	(146,746)	-	(146,746)
Culture and recreation	2,299,683	226,257	124,722	-	(1,948,704)	-	(1,948,704)
Community development	12,310	258	-	-	(12,052)	-	(12,052)
Interest on long-term debt	115,681	-	-	-	(115,681)	-	(115,681)
Capital outlay	4,316,540	-	-	-	(4,316,540)	-	(4,316,540)
Total Governmental Activities	<u>33,617,220</u>	<u>2,145,882</u>	<u>335,490</u>	<u>606,987</u>	<u>(30,528,861)</u>	<u>-</u>	<u>(30,528,861)</u>
Business-Type Activities:							
Sewer fund	5,005,147	5,518,523	78,536	-	-	591,912	591,912
Total	<u>38,622,367</u>	<u>7,664,405</u>	<u>414,026</u>	<u>606,987</u>	<u>(30,528,861)</u>	<u>591,912</u>	<u>(29,936,949)</u>
General Revenues:							
Taxes:							
Property				\$ 15,523,888	\$ -	\$ 15,523,888	
Other				636,874	-	636,874	
Motor vehicle permit fees				5,565,028	-	5,565,028	
Licenses and other fees				496,056	-	496,056	
Grants and contributions not restricted to specific programs				4,426,257	-	4,426,257	
Unrestricted investment earnings				637,798	67,451	705,249	
Miscellaneous				148,396	-	148,396	
Total general revenues				<u>27,434,297</u>	<u>67,451</u>	<u>27,501,748</u>	
Change in net position				(3,094,564)	659,363	(2,435,201)	
Net position - beginning of year				62,180,941	36,994,955	99,175,896	
Net position - end of year				<u>\$ 59,086,377</u>	<u>\$ 37,654,318</u>	<u>\$ 96,740,695</u>	

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

EXHIBIT C-1
TOWN OF MERRIMACK, NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General	Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 41,841,895	\$ 2,076,511	\$ 43,918,406
Investments	4,811,595	2,854,699	7,666,294
Accounts receivable (net)	602,401	95,933	698,334
Taxes receivable (net)	14,883,668	11,750	14,895,418
Intergovernmental receivable	1,778,681	-	1,778,681
Inventory	191,771	-	191,771
Prepaid items	12,580	2,450	15,030
Tax deeded property, subject to resale	40,286	-	40,286
Total assets	<u>64,162,877</u>	<u>5,041,343</u>	<u>69,204,220</u>
LIABILITIES			
Accounts payable	414,815	12,243	427,058
Accrued salaries and benefits	881,746	-	881,746
Intergovernmental payable	95,159	-	95,159
Other payable	1,462,495	-	1,462,495
Total liabilities	<u>2,854,215</u>	<u>12,243</u>	<u>2,866,458</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	42,917,841	-	42,917,841
Unavailable revenue - other	283,061	-	283,061
Unavailable revenue - CATV	-	10,000	10,000
Total deferred inflows of resources	<u>43,200,902</u>	<u>10,000</u>	<u>43,210,902</u>
FUND BALANCES			
Nonspendable	757,300	1,699,763	2,457,063
Restricted	650,000	3,319,337	3,969,337
Committed	4,922,820	-	4,922,820
Assigned	2,334,115	-	2,334,115
Unassigned	9,443,525	-	9,443,525
Total fund balances	<u>18,107,760</u>	<u>5,019,100</u>	<u>23,126,860</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 64,162,877</u>	<u>\$ 5,041,343</u>	<u>\$ 69,204,220</u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

EXHIBIT C-2
TOWN OF MERRIMACK, NEW HAMPSHIRE
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO THE
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
June 30, 2020

Total fund balances of governmental funds (Exhibit C-1)		\$ 23,126,860
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not considered financial resources for fund perspective reporting and, therefore, are not reported in the funds		
Cost	\$ 139,480,952	
Less accumulated depreciation	<u>(71,389,974)</u>	68,090,978
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	3,854,472	
Deferred inflows of resources related to pensions	(1,519,883)	
Deferred outflows of resources related to OPEB	270,526	
Deferred inflows of resources related to OPEB	<u>(8,358)</u>	2,596,757
Revenues that will be collected after year-end and are not available to pay for the current period's expenditures are reported as deferred inflows of resources in the funds		
		541,985
Interest on long-term debt is not accrued in governmental funds		
Accrued interest payable		(55,339)
Long-term liabilities are not due and payable in the current period. Therefore, they are not reported in the governmental fund balance		
Bonds	(3,175,000)	
Unamortized bond premium	(226,013)	
Compensated absences	(1,238,127)	
Net pension liability	(25,239,643)	
Other postemployment benefits	(4,433,081)	
Accrued landfill postclosure care costs	<u>(903,000)</u>	(35,214,864)
Net position of governmental activities (Exhibit A)	\$	<u>\$ 59,086,377</u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

EXHIBIT C-3
TOWN OF MERRIMACK, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General	Other Governmental Funds	Total
REVENUES			
Taxes	\$ 16,053,170	\$ 119,830	\$ 16,173,000
Licenses and permits	6,061,083	-	6,061,083
Intergovernmental grants and other contributions	5,101,028	267,706	5,368,734
Charges for services	1,912,413	233,469	2,145,882
Investment earnings	766,365	(128,567)	637,798
Miscellaneous	158,728	10,207	168,935
	<u>30,052,787</u>	<u>502,645</u>	<u>30,555,432</u>
EXPENDITURES			
Current:			
General government	3,860,924	26,079	3,887,003
Public safety	13,673,981	96,214	13,770,195
Highways and streets	3,370,015	-	3,370,015
Sanitation	1,592,306	-	1,592,306
Health and welfare	146,746	-	146,746
Culture and recreation	1,561,840	536,291	2,098,131
Community Development	9,737	2,573	12,310
Debt service:			
Principal	285,000	-	285,000
Interest	131,265	-	131,265
Capital outlay	5,945,516	241,474	6,186,990
	<u>30,577,330</u>	<u>902,631</u>	<u>31,479,961</u>
Excess of revenues over expenditures	(524,543)	(399,986)	(924,529)
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(524,543)	(399,986)	(924,529)
Fund Balance, beginning of year	<u>18,632,303</u>	<u>5,419,086</u>	<u>24,051,389</u>
Fund Balance, end of year	<u>\$ 18,107,760</u>	<u>\$ 5,019,100</u>	<u>\$ 23,126,860</u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

EXHIBIT C-4
TOWN OF MERRIMACK, NEW HAMPSHIRE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Net change in fund balances of governmental funds (Exhibit C-3) \$ (924,529)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.

Capitalized capital outlay	1,870,451	
Less: disposal of capital assets	(8,952)	
Depreciation expense	<u>(2,795,988)</u>	
		(934,489)

Revenue in the statement of activities that does not provide current financial resources is not reported in the governmental funds

Change in deferred tax revenue	<u>(12,239)</u>	(12,239)
--------------------------------	-----------------	----------

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal on long-term debt consumes the current financial resources of governmental funds.

Neither transaction, however, has any effect on net position.

Principal repayment of bonds	285,000	
Amortization of bond premium	<u>12,556</u>	
		297,556

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	3,028	
Increase in accrued landfill postclosure care costs	(363,000)	
Increase in compensated absences payable	(78,335)	
Net decrease in net pension liability and deferred outflows and inflows of resources related to pensions	(1,022,777)	
Net increase in net OPEB liability and deferred outflows and inflows of resources related to OPEB	<u>(59,779)</u>	
		<u>(1,520,863)</u>

Change in net position of governmental activities (Exhibit B) \$ (3,094,564)

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

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 Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Taxes	\$ 15,755,120	\$ 15,755,120	\$ 16,053,170	\$ 298,050
Licenses and permits	5,927,662	5,927,662	6,061,083	133,421
Intergovernmental grants and other contributions	3,777,995	3,850,847	5,101,028	1,250,181
Charges for services	2,029,926	2,029,926	1,912,413	(117,513)
Investment earnings	775,000	775,000	530,652	(244,348)
Miscellaneous	172,276	183,161	158,728	(24,433)
Total revenues	28,437,979	28,521,716	29,817,074	1,295,358
EXPENDITURES				
Current:				
General government	3,725,592	3,809,329	3,876,898	(67,569)
Public safety	14,311,996	14,311,996	13,673,981	638,015
Highways and streets	3,599,616	3,599,616	3,370,015	229,601
Sanitation	1,560,670	1,560,670	1,592,306	(31,636)
Health and welfare	163,302	163,302	146,746	16,556
Culture and recreation	1,872,604	1,872,604	1,561,840	310,764
Community Development	25,803	25,803	9,737	16,066
Debt service:				
Principal	285,000	285,000	285,000	-
Interest	131,266	131,266	131,265	1
Capital outlay	7,418,590	8,235,262	5,945,516	2,289,746
Total expenditures	33,094,439	33,994,848	30,593,304	3,401,544
Excess (deficiency) of revenues over (under) expenditures	(4,656,460)	(5,473,132)	(776,230)	4,696,902
OTHER FINANCING SOURCES (USES)				
Transfers in	5,640,172	6,456,844	2,128,439	(4,328,405)
Transfers out	(1,650,300)	(1,650,300)	(1,650,000)	300
Total other financing sources (uses)	3,989,872	4,806,544	478,439	(4,328,105)
Net change in fund balances	\$ (666,588)	\$ (666,588)	(297,791)	\$ 368,797
Increase in assigned for contingency			(394,021)	
Unassigned fund balance, beginning of year			10,135,337	
Unassigned fund balance, end of year			\$ 9,443,525	

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

EXHIBIT E-1
TOWN OF MERRIMACK, NEW HAMPSHIRE
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2020

	Business-type Activities <u>Enterprise Fund</u> <u>(Sewer Department)</u>
ASSETS	
Cash and cash equivalents	\$ 4,281,609
Investments	159,969
Accounts receivable	847,598
Intergovernmental receivables	697,522
Loan Receivable	329,491
Capital assets, not being depreciated:	
Land and construction in progress	1,042,932
Capital assets, net of accumulated depreciation:	
Buildings and systems	38,302,931
Machinery, equipment, and furnishings	1,222,642
Total assets	<u>46,884,694</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	193,977
Deferred amounts related to OPEB	13,615
Total deferred outflows of resources	<u>207,592</u>
LIABILITIES	
Current Liabilities	
Accounts payable	233,591
Accrued salaries and benefits	30,375
Accrued interest payable	54,812
Note payable	804,162
Noncurrent liabilities:	
Due within one year:	
Notes payable	666,990
Due in more than one year:	
Notes payable	5,478,955
Compensated absences	65,215
Net pension liability	1,270,189
Other post employment benefits	126,206
Total liabilities	<u>8,730,495</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	76,489
Deferred amounts related to OPEB	421
Unavailable revenue	630,563
Total deferred inflows of resources	<u>707,473</u>
NET POSITION	
Invested in capital assets, net of related debt	33,618,398
Restricted for capital reserve funds	117,774
Unrestricted	3,918,146
TOTAL NET POSITION	<u><u>\$ 37,654,318</u></u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

EXHIBIT E-1
TOWN OF MERRIMACK, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	Business-type Activities <u>Enterprise Fund</u> <u>(Sewer Department)</u>
OPERATING REVENUE	
User charges	\$ <u>5,518,523</u>
Total operating revenue	<u>5,518,523</u>
 OPERATING EXPENSES	
Salaries, wages and related benefits	1,818,087
Operating and maintenance	1,740,523
Depreciation expense	<u>1,312,716</u>
Total operating expenses	<u>4,871,326</u>
Operating income	<u>647,197</u>
 NON-OPERATING REVENUE (EXPENSE)	
Intergovernmental grants	78,536
Interest income	67,451
Interest expense	<u>(133,821)</u>
Total non-operating revenues (expense)	<u>12,166</u>
Change in net position	659,363
Net position, beginning of year	<u>36,994,955</u>
Net position, end of year	\$ <u><u>37,654,318</u></u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

EXHIBIT E-3
TOWN OF MERRIMACK, NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers and users	\$ 5,404,098
Cash payments for operating and maintenance	(1,560,327)
Cash payments to employees for services and benefits	(1,830,857)
Net cash provided by operating activities	2,012,914

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on bonds	(666,990)
Proceeds from issuance of new debt	474,671
Interest paid	(133,821)
Intergovernmental reimbursements	49,871
Acquisition and construction of capital assets	(1,120,182)
Net cash used in capital and financing activities	(1,396,451)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	67,451
Purchases of investments, net	(72,444)
Net cash used in investing activities	(4,993)

Net increase in cash	611,470
Cash, beginning of year	3,670,139
Cash, end of year	\$ 4,281,609

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 647,197
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation expense	1,312,716
(Increase) decrease in accounts receivable	(114,425)
Increase (decrease) in accounts payable	159,722
Increase (decrease) in accrued salaries and benefits	(25,484)
Decrease in net pension liability and deferred outflows and inflows related to pensions	26,870
Decrease in net pension liability and deferred outflows and inflows related to OPEB	6,318
<i>Net cash provided by operating activities</i>	\$ 2,012,914

EXHIBIT F-1
TOWN OF MERRIMACK, NEW HAMPSHIRE
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash and cash equivalents	\$ 27,308	\$ 2,560,015
Investments	<u>220,517</u>	<u>8,302,345</u>
Total assets	<u>247,825</u>	<u>10,862,360</u>
LIABILITIES		
Intergovernmental payables	<u>-</u>	<u>10,862,360</u>
NET POSITION		
Held in trust for specific purposes	<u>\$ 247,825</u>	<u>\$ -</u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

EXHIBIT F-2
TOWN OF MERRIMACK, NEW HAMPSHIRE
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2020

	<u>Private Purpose Trust</u>
ADDITIONS	
New funds	\$ -
Interest	6,091
Net decrease in fair value of investments	<u>(8,837)</u>
Total revenue	<u>(2,746)</u>
DEDUCTIONS	
Trust distributions	<u>(4,523)</u>
Change in net position	1,777
NET POSITION, beginning of year	<u>246,048</u>
NET POSITION , end of year	<u><u>\$ 247,825</u></u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

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TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

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TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

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

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

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

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

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

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

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

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

The Town reports the following major governmental fund:

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

Additionally, the Town reports the following fund types:

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

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

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

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

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

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

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

The Town reports the following major proprietary fund:

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

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

The Town reports the following fiduciary funds:

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

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

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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, certificates of deposits, and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

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

1-D Statement of Cash Flows

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

1-E Investments

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

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

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

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

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

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

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

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

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Level 2 – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. All of the Town’s holdings in New Hampshire Public Deposit Investment Pool (NHPDIP) are examples of Level 2 investments.

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

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

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

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

1-F Receivables

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

1-G Inventory

The inventories of the Town are valued at cost using the first-in/first-out (FIFO) method. The inventories of the Town’s general fund consist of expendable materials, supplies, and fuel held for consumption. The cost is recorded as an expenditure/expense when consumed rather than when purchased.

1-H Prepaid Items

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

1-I Capital Assets

Capital assets include property, plant, and equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) which are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund’s measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position. Capital assets of the proprietary fund are capitalized in the fund and the cost basis for proprietary fund capital assets is the same as that used for general capital assets.

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

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

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

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

1-J Inter-fund Transfers

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

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 17, 2019 and October 17, 2019 and were due on July 1, 2019 and December 3, 2019. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

Property tax receivables are recognized on the levy or lien date, which is the date the tax warrant is issued. Current year property tax receivables represent taxes levied but not remitted to the Town at June 30, 2020 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the Town to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. Although the succeeding year property tax receivables have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

The Town net assessed valuation as of April 1, 2019 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 3,314,786,838
For all other taxes	\$ 3,453,386,038

The tax rates and amounts assessed for the year ended June 30, 2020 were as follows:

	<u>Per \$1,000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal portion	\$4.71	\$ 16,232,235
School portion:		
State of New Hampshire	\$2.18	7,238,817
Local	\$16.04	55,397,386
County portion	\$1.20	4,159,620
Total	<u>\$24.13</u>	<u>\$ 83,028,028</u>

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1-L Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2020.

1-M Deferred Outflows/Inflows of Resources

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

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

1-N Long-term Obligations

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

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

1-O Compensated Absences

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

1-P Claims and Judgments

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

1-Q Postemployment Benefits Other Than Pensions (OPEB)

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

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

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

1-R Defined Benefit Pension Plan

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

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

1-S Net Position/Fund Balances

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

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

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

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

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

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

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

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

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

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

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

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

1-T Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require municipalities to present a balanced budget, but provide for the use of beginning unassigned fund balance to achieve that end. For the 2020 fiscal year, \$666,588 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

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

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

Revenue and other financing sources:	\$	31,945,512
Per Exhibit D (budgetary basis)		
Adjustment:		
Basis difference		
GASB Statement No. 54:		
To record miscellaneous income of the blended funds		235,714
To eliminate transfers between blended funds		<u>(2,128,439)</u>
Per Exhibit C-3 (GAAP Basis)	\$	<u>30,052,787</u>
Expenditures and other financing uses:	\$	32,215,743
Per Exhibit D (budgetary basis)		
Adjustment:		
Basis differences:		
To record expendable trust expenditures during the year		11,587
To eliminate transfers between general and expendable trust funds		<u>(1,650,000)</u>
Per Exhibit C-3 (GAAP Basis)	\$	<u>30,577,330</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$50,787,338 and the bank balances totaled \$51,027,317. Petty cash totaled \$2,193.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$	48,200,015
Cash per Statement of Net Position-Fiduciary Funds (Exhibit F-1)		<u>2,587,323</u>
Total cash and cash equivalents	\$	<u><u>50,787,338</u></u>

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NOTE 4 – INVESTMENTS

Note 1-E describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town’s mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring value measurements and maturities as of June 30, 2020:

Investment type:	Valuation Measurement Method	Fair Value	1-5 Years	Cost	Total
New Hampshire Public Deposit Investment Pool	Level 2	\$ 411,663	\$ -	\$ -	\$ 411,663
Certificates of deposit	Level 1	-	30,945	-	30,945
Mutual funds	Level 1	31,180	-	-	31,180
Fixed income	Level 1	10,820,017	-	-	10,820,017
Equities	Level 1	5,053,745	-	-	5,053,745
Land	N/A	-	-	1,575	1,575
Total		\$ <u>16,316,605</u>	\$ <u>30,945</u>	\$ <u>1,575</u>	\$ <u>16,349,125</u>

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

Credit Risk – This is the risk that the issuer of an investment will not fulfill their obligation to the holder of the investment. The Town has no formal policy on managing credit risk; however, state law limits investments as explained in Note 1-E. As of June 30, 2020, the Town did not directly hold any securities. All such investments are maintained in investment pools or mutual funds.

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

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 7,826,263
Investments per Statement of Net Position-Fiduciary Funds (Exhibit F-1)	8,522,862
Total investments	<u>\$ 16,349,125</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, 2020. The amount has been reduced by an allowance for an estimated uncollectible amount of \$267,252 . Taxes receivable by year are as follows:

Property:	
Levy of 2019	\$ 14,164,656
Unredeemed (under tax lien):	
Levy of 2018 and prior	924,145
Yield tax	1,712
Current use tax	23,500
Welfare liens receivable	48,657
Less: allowance for estimated uncollectible taxes	(267,252)
Net taxes receivable	<u>\$ 14,895,418</u>

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NOTE 6 – OTHER RECEIVABLES

Receivables at June 30, 2020 consisted of accounts (billings for police details, sewer, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of June 30, 2020 for the Town’s individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General fund	Non-Major Funds	Proprietary Sewer Fund	Total
Receivables:				
Accounts receivable	\$ 869,653	\$ 95,933	\$ 847,598	\$1,545,932
Intergovernmental	1,778,681	-	697,522	2,476,203
Subtotal	2,648,334	95,933	1,545,120	4,289,387
Less allowance for uncollectible accounts	(267,252)	-	-	(267,252)
Receivables, net	<u>\$ 2,381,082</u>	<u>\$ 95,933</u>	<u>\$ 1,545,120</u>	<u>\$4,022,135</u>

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 is as follows:

	Balance, Beginning	Additions	Disposals	Balance, Ending
Governmental Activities:				
At cost:				
Not being depreciated:				
Land	\$ 17,296,636	\$ -	\$ -	\$ 17,296,636
Construction in progress	5,329,694	-	(3,235,138)	2,094,556
Total capital assets not being depreciated	22,626,330	-	(3,235,138)	19,391,192
Other capital assets:				
Improvements other than buildings	2,020,298	67,037	-	2,087,335
Buildings and building improvements	8,996,485	3,448,666	-	12,445,151
Machinery, equipment and furnishings	13,610,732	1,248,056	(313,985)	14,544,803
Infrastructure	90,670,641	341,830	-	91,012,471
Total other capital assets	115,298,156	5,105,589	(313,985)	120,089,760
Less accumulated depreciation for:				
Improvements other than buildings	(1,235,903)	(60,091)	-	(1,295,994)
Buildings and building improvements	(4,886,897)	(273,156)	-	(5,160,053)
Machinery, equipment, and furnishings	(11,174,894)	(682,943)	305,033	(11,552,804)
Infrastructure	(51,601,325)	(1,779,798)	-	(53,381,123)
Total accumulated depreciation	(68,899,019)	(2,795,988)	305,033	(71,389,974)
Other capital assets, net	46,399,137	2,309,601	(8,952)	48,699,786
Governmental activities capital assets, net	<u>\$ 69,025,467</u>	<u>\$ 2,309,601</u>	<u>\$ (3,244,090)</u>	<u>\$ 68,090,978</u>

(Continued)

TOWN OF MERRIMACK, NEW HAMPSHIRE
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Capital assets continued:

Business-Type Activities:	<u>Balance, Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, Ending</u>
At cost:				
Not being depreciated:				
Land	\$ 238,770	\$ -	\$ -	\$ 238,770
Construction in progress	-	804,162		804,162
Total capital assets not being depreciated	<u>238,770</u>	<u>804,162</u>	<u>-</u>	<u>1,042,932</u>
Other capital assets:				
Buildings and systems	68,751,987	30,350	-	68,782,337
Improvements other than buildings	412,390	-	-	412,390
Machinery, equipment and furnishings	6,596,706	285,670	(142,500)	6,739,876
Total other capital assets	<u>75,761,083</u>	<u>316,020</u>	<u>(142,500)</u>	<u>75,934,603</u>
Less accumulated depreciation for:				
Buildings and systems	(29,291,831)	(420,689)	-	(29,712,520)
Improvements other than buildings	(410,417)	(2,491)	-	(412,908)
Machinery, equipment, and furnishings	(5,536,566)	(889,536)	142,500	(6,283,602)
Total accumulated depreciation	<u>(35,238,814)</u>	<u>(1,312,716)</u>	<u>142,500</u>	<u>(36,409,030)</u>
Other capital assets, net	<u>40,522,269</u>	<u>(996,696)</u>	<u>-</u>	<u>39,525,573</u>
Business-Type Activities capital assets, net	<u>\$ 40,761,039</u>	<u>\$ (192,534)</u>	<u>\$ -</u>	<u>\$ 40,568,505</u>

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

Governmental activities:

General government	\$ 26,667
Public safety	338,374
Highways and streets	2,154,118
Sanitation	104,661
Culture and recreation	172,168
	<u>2,795,988</u>

Business-type activities:

Sewer	<u>1,312,716</u>
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Total depreciation expense	<u>\$ 4,108,704</u>
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NOTE 8 – ACCRUED LIABILITIES

Accrued liabilities reported by governmental and proprietary funds at June 30, 2020, were as follows:

	<u>General fund</u>	<u>Proprietary Sewer Fund</u>
Salary and employee benefits	\$ 356,156	\$ -
Current portion of compensated absences	<u>525,590</u>	<u>30,375</u>
Total accrued liabilities	<u>\$ 881,746</u>	<u>\$ 30,375</u>

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NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$10,957,519 at June 30, 2020 consist of the following:

General fund:			
Amount due to the New Hampshire Retirement System	\$	85,159	
Amount due to the Merrimack School District		10,000	
Total general fund		95,159	
Agency fund:			
Amounts held for School District		5,670,603	
Amounts held for Village District		5,191,757	
Total agency fund		10,862,360	
Total intergovernmental payables due		\$ 10,957,519	

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

	Entity-Wide Basis		Governmental Funds	
	Government Activities	Business-Type Activities	General	Other Governmental
Deferred amounts related to pensions (see Note 12)	\$ 3,854,472	\$ 193,977	\$ -	\$ -
Deferred amounts related to OPEB (see Note 13)	270,526	13,615	-	-
Total deferred outflows of resources	\$ 4,124,998	\$ 207,592	\$ -	\$ -

Deferred inflows of resources are as follows:

	Entity-Wide Basis		Governmental Funds	
	Government Activities	Business-Type Activities	General	Other Governmental
Unavailable tax revenue	\$ 42,375,856	\$ -	\$ 42,917,841	\$ -
Deferred amounts related to pensions (see Note 12)	1,519,883	76,489	-	-
Deferred amounts related to OPEB (see Note 13)	8,358	421	-	-
Unavailable revenues – CATV and other	293,061	630,563	283,061	10,000
Total deferred inflows of resources	\$ 44,197,158	\$ 707,473	\$ 43,200,902	\$ 10,000

NOTE 11 – LONG-TERM LIABILITIES

Changes in the Town’s long-term liabilities consisted of the following for the year ended June 30, 2020:

	Balance at June 30, 2019	Additions	Disposals	Balance June 30, 2020	Due Within One Year
Governmental Activities:					
General obligation bonds payable	\$ 3,460,000	\$ -	\$(285,000)	\$ 3,175,000	\$ 295,000
Bond premium	238,569	-	(12,556)	226,013	12,556
Total bonds payable	3,698,569	-	(297,556)	3,401,013	307,556
Compensated absences	1,159,792	78,335	-	1,238,127	-
Accrued landfill post-closure care costs	540,000	363,000	-	903,000	42,000
Net pension liability	25,243,972	-	(4,329)	25,239,643	-
Other postemployment benefits	4,561,346	-	(128,265)	4,433,081	-
Total long-term liabilities	\$ 35,203,679	\$ 441,335	\$(430,150)	\$ 35,214,864	\$ 349,556

(Continued)

TOWN OF MERRIMACK, NEW HAMPSHIRE
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Long-term liabilities continued:

Business-type activities:	Balance at June 30, 2019	Additions	Disposals	Balance June 30, 2020	Due Within One Year
General obligation notes payable	\$ 6,812,935	\$ -	\$ (666,990)	\$ 6,145,945	\$ 666,990
Compensated absences	77,929	-	(12,714)	65,215	-
Net pension liability	1,298,788	-	(28,599)	1,270,189	-
Other postemployment benefits	129,858	-	(3,652)	126,206	-
Total long-term liabilities	<u>\$ 8,319,510</u>	<u>\$ -</u>	<u>\$ (711,955)</u>	<u>\$ 7,607,555</u>	<u>\$ 666,990</u>

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

	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2020	Current Portion
Governmental activities:					
General obligation bonds payable:					
Drainage improvement	2007	2023	4.47	\$ 440,000	\$ 130,000
Highway garage	2018	2038	2.86	2,735,000	155,000
				<u>3,175,000</u>	<u>285,000</u>
Bond premium				226,013	12,556
Total				<u>\$ 3,401,013</u>	<u>\$ 297,556</u>
Business-type activities:					
General obligation notes payable:					
Interceptor repair	2012	2019	1.94	\$ 55,823	\$ 55,823
Dewatering upgrade	2013	2022	1.70	526,937	263,468
Water pollution	2017	2036	2.00	5,563,186	347,699
				<u>\$ 6,145,945</u>	<u>\$ 666,990</u>

The annual requirements to amortize all *governmental activities* bonds outstanding as of June 30, 2020, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 295,000	\$ 66,880	\$ 361,880
2022	300,000	59,602	359,602
2023	310,000	52,206	362,206
2024	155,000	44,572	199,572
2025-2029	765,000	163,703	928,703
2030-2034	750,000	83,063	833,063
2035-2038	600,000	23,906	623,906
	<u>\$3,175,000</u>	<u>\$ 493,932</u>	<u>\$3,668,932</u>

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

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The annual requirements to amortize all *business-type activities* notes outstanding as of June 30, 2020, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 666,990	\$ 121,305	\$ 788,295
2022	611,168	108,789	719,957
2023	347,699	97,356	445,055
2024	347,699	90,402	438,101
2025-2029	1,738,495	347,700	2,086,195
2030-2034	1,738,495	173,850	1,912,345
2035-2036	695,399	20,862	716,261
	<u>\$6,145,945</u>	<u>\$ 960,264</u>	<u>\$7,106,209</u>

Accrued Landfill Post-Closure 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 post-closure care costs that will be incurred after the date the landfill no longer accepts waste. The estimated liability for landfill post-closure care costs has a balance of \$903,000 as of June 30, 2020. The estimated total current cost of the landfill post-closure 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, 2020. However, the actual cost of post-closure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

The Town expects to finance the post-closure care costs through annual taxation.

Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of June 30, 2020 were as follows:

Original Loan Agreement	Purpose	Unissued Amount
August 8, 2012	Water Pollution Control Revolving Loan Fund Program	<u>\$ 158,631</u>

NOTE 12 – DEFINED BENEFIT PENSION PLAN

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

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

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

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Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have non-vested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by ¼ of 1% or age 60.

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

Contributions: The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. The contribution rates were 11.55% for police and 11.80% for firefighters in fiscal year 2020. All other employees are required to contribute 7% of earnable compensation. For fiscal year 2020, the Town contributed 28.43% for police, 30.09% for firefighters, and 11.17% for other employees. The contribution requirement for the fiscal year 2020 was \$2,345,993, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2020 the Town reported a liability of \$25,239,643 in the governmental activities and \$1,270,189 in the business-type activities for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the Town’s proportion was 0.55%, which was a decrease of 0.002% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$2,949,586 in the governmental activities and \$163,586 in the business-type activities. At June 30, 2020 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 139,554	\$ 542,724	\$ 7,023	\$ 27,313
Changes in assumption	905,588	-	45,574	-
Net differences between projected and actual investment earnings on pension plan investments	-	206,171	-	10,376
Changes in proportion and differences between employer contributions and share of contributions	574,060	770,988	28,890	38,800
Contributions subsequent to the measurement date	<u>2,235,270</u>	<u>-</u>	<u>112,490</u>	<u>-</u>
Total	<u>\$ 3,854,472</u>	<u>\$ 1,519,883</u>	<u>\$ 193,977</u>	<u>\$ 76,489</u>

The \$2,235,270 in the governmental activities and \$112,490 in the business-type activities reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020 pension plan year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	
2020	\$ 753,431
2021	(450,794)
2022	(255,684)
2023	<u>57,363</u>
	<u>\$ 104,316</u>

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Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2018, using the following actuarial assumptions which, accordingly, apply to 2019 measurements:

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2019:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2019</u>
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	<u>7.50%</u>	4.50%
Total domestic equity	<u>30.00%</u>	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	<u>7.00%</u>	6.00%
Total international equity	<u>20.00%</u>	
Core Bonds	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	<u>6.00%</u>	1.50%
Total fixed income	<u>25.00%</u>	
Private equity	10.00%	7.90%
Private debt	<u>5.00%</u>	4.86%
Total alternative investments	<u>15.00%</u>	
Real estate	<u>10.00%</u>	3.00%
Total	<u>100.00%</u>	

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

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2019	<u>\$ 35,497,757</u>	<u>\$ 26,509,832</u>	<u>\$ 19,081,382</u>

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

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

In accordance with the Town’s adoption of GASB Statement No. 75, the Town now reports two separate OPEB liabilities: a) State component related to the Town’s share of the NHRS liability; b) local component related to the Town’s health plan. The State OPEB liability is measured and reported as of June 30, 2019, with the Town’s 2020 contributions being reported as deferred outflows of resources. The local OPEB liability is measured and reported as of June 30, 2020, and thus has no deferred outflows of resources as a result of contributions subsequent to the measurement date. Additional information pertaining to each of the Town’s OPEB liabilities is detailed as follows:

13-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing, multiple- employer, other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2019 Comprehensive Annual Financial Report, which can be found on the System’s website at www.nhrs.org.

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

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

Maximum medical subsidy rates paid during fiscal years 2019 and 2018 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) sub-trust 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 2019, 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) sub-trust.

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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 2020, the Town contributed 4.10% for police and firefighters, and 0.30% for other employees. The contribution requirement for the fiscal year 2020 was \$297,524, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2020, the Town reported a liability of \$2,681,570 in the governmental activities and \$76,342 in the business-type activities for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the Town’s proportion was 0.63%, which was a decrease of less than 0.19% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized OPEB expense of \$162,346 in the governmental activities and \$4,622 in the business-type activities. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,567	\$ -	\$ 231
Changes in assumption	-	-	-	-
Net differences between projected and actual investment earnings on pension plan investments	-	2,951	-	148
Changes in proportion and differences between employer contributions and share of contributions	-	840	-	42
Contributions subsequent to the measurement date	283,268	-	14,256	-
Total	<u>\$ 283,268</u>	<u>\$ 8,358</u>	<u>\$ 14,256</u>	<u>\$ 421</u>

The \$283,268 in the governmental activities and \$14,256 in the business-type activities reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the plan year ended June 30, 2020. 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,	
2020	\$ (7,736)
2021	(2,056)
2022	213
2023	800
	<u>\$ (8,779)</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2018 and a measurement date of June 30, 2019. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

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

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

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The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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

Following is a table presenting target allocations and long-term rates of return for 2019:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2019</u>
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	<u>30.00%</u>	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	<u>20.00%</u>	
Core Bonds	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	6.00%	1.50%
Total fixed income	<u>25.00%</u>	
Private equity	10.00%	7.90%
Private debt	5.00%	4.86%
Total alternative investments	<u>15.00%</u>	
Real estate	<u>10.00%</u>	3.00%
Total	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2019 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2019	\$ 2,991,375	\$ 2,757,912	\$ 2,555,048

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.

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

13-B Town of Merrimack Retiree Health Benefit Program

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

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

Employees Covered by Benefit Terms – At July 1, 2019 the following employees were covered by the benefit terms:

Active employees	190
Retired employees	<u>67</u>
Total participants covered by OPEB plan	<u><u>257</u></u>

Total OPEB Liability – The Town’s total OPEB liability of \$1,801,375 was measured as of July 1, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$1,801,375 in the July 1, 2019 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:	2.44%
Healthcare Cost Trend Rates:	
Current Year Trend	7.0%
Second Year Trend	4.5%
Decrement	0.25%
Ultimate Trend	4.5%
Year Ultimate Trend is Reached	2031
Salary Increases:	3.0%

The discount rate is based on the prescribed discount interest rate methodology under GASB Statement No. 74/75 based on an average of three 20-year bond indices as of June 30, 2020.

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

Changes in the Total OPEB Liability

	<u>June 30, 2020</u>
Total OPEB liability, beginning of year	\$ 1,802,736
Changes for the year:	
Service cost	7,008
Interest	43,987
Change in assumptions	<u>(52,356)</u>
Total OPEB liability, end of year	<u><u>\$ 1,801,375</u></u>

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate – The July 1, 2019 actuarial valuation was prepared using a discount rate of 2.44%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$1,680,920 or by 6.7%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$1,958,296 or by 8.7%.

		Discount Rate		
		1% Decrease	Baseline 2.44%	1% Increase
Total OPEB liability	\$	1,958,296	\$	1,801,375
			\$	1,680,920

Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2019 actuarial valuation was prepared using an initial trend rate of 2.44%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$1,962,250 or by 8.9%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$1,672,441 or by 7.2%.

		Discount Rate		
		1% Decrease	Baseline 2.44%	1% Increase
Total OPEB liability	\$	1,672,441	\$	1,801,375
			\$	1,962,250

OPEB Expense – For the year ended June 30, 2020, the Town recognized OPEB expense of \$51,857.

NOTE 14 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at June 30, 2020 and are as follows:

General fund:	
General government	\$ 40,436
Public safety	83,714
Highways and streets	157,525
Sanitation	1,223
Culture and recreation	147,912
Community development	2,320
Capital outlay	1,150,985
Total encumbrances	\$ 1,584,115

NOTE 15 – STATE AID TO WATER POLLUTION PROJECTS

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

Bonds Issued	Amount
State Aid Grant C-869 WWTF Dewatering Upgrade	\$ 516,847

Under New Hampshire RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At June 30, 2020 the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 69,134	\$ 8,227	\$ 77,361
2022	69,134	7,052	76,186
2023	69,134	5,876	75,010
2024	69,134	4,534	73,668
2025-2027	207,402	7,220	214,622
Totals	\$ 483,938	\$ 32,909	\$ 516,847

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

NOTE 16 – NET POSITION

Governmental and business-type activities net position reported on the government-wide Statement of Net Position at June 30, 2020 includes the following:

	Governmental Activities	Proprietary Fund	Total
Net investment in capital assets:			
Net property, buildings, and equipment	\$ 68,090,978	\$ 40,568,505	\$108,659,483
Less:			
General obligation bonds/notes payable	(3,175,000)	(6,950,107)	(10,125,107)
Unamortized bond premiums	(226,013)	-	(226,013)
Total net investment in capital assets	<u>64,689,965</u>	<u>33,618,398</u>	<u>98,308,363</u>
Restricted net position:			
Permanent funds:			
Non-spendable (principal)	1,699,763	-	1,699,763
Expendable (interest)	1,294,590	-	1,294,590
Capital project funds	236,994	-	236,994
Library purposes	177,428	-	177,428
Sewer reserve funds	-	117,774	117,774
Total restricted	<u>3,408,775</u>	<u>117,774</u>	<u>3,526,549</u>
Unrestricted	(9,012,363)	3,918,146	(5,094,217)
Total net position	<u>\$ 59,086,377</u>	<u>\$ 37,654,318</u>	<u>\$ 96,740,695</u>

NOTE 17 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2020 include the following:

	General Fund	Other Governmental Funds	Total Governmental Funds
Non-spendable:			
Inventory	\$ 191,770	\$ -	\$ 191,770
Prepaid items	12,580	-	12,580
Long-term receivable	552,950	-	552,950
Non-expendable portion of permanent funds	-	1,699,763	1,699,763
Total non-spendable	<u>757,300</u>	<u>1,699,763</u>	<u>\$ 2,457,063</u>
Restricted:			
Cable television	-	555,293	555,293
Capital projects	650,000	133,613	783,613
Library fines	-	177,428	177,428
Conservation	-	47,954	47,954
Current use	-	924,767	924,767
Expendable portion permanent funds	-	1,294,590	1,294,590
Fire protection	-	80,908	80,908
Heritage	-	20,660	20,660
Highway garage capital project	-	103,381	103,381
Recreation revolving	-	(19,257)	(19,257)
Total restricted	<u>650,000</u>	<u>3,319,337</u>	<u>3,969,337</u>
Committed:			
Capital reserve funds	4,922,820	-	4,922,820
Assigned:			
Encumbrances	1,584,115	-	1,584,115
Contingency	750,000	-	750,000
Total assigned	<u>2,334,115</u>	<u>-</u>	<u>2,334,115</u>
Unassigned:			
General	9,443,525	-	9,443,525
Total fund balance	<u>\$ 18,107,760</u>	<u>\$ 5,019,100</u>	<u>\$ 23,126,860</u>

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

NOTE 18 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2020, 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, 2019 to June 30, 2020 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$500,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

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

NOTE 19 – CONTINGENT LIABILITIES

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

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

NOTE 20 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Non-recognized 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 November 11, 2020, the date the June 30, 2020 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G
TOWN OF MERRIMACK, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2020

	June 30,						
	2014	2015	2016	2017	2018	2019	2020
Town's proportion of the net pension liability	0.56%	0.57%	.055%	0.54%	0.58%	0.55%	0.55%
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
Town's covered payroll	\$9,390,075	\$9,578,569	\$10,375,880	\$10,921,043	\$12,177,537	\$12,507,395	\$12,922,734
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%
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%

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, 2020

	June 30,						
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 1,401,861	\$ 1,843,615	\$ 1,847,730	\$ 1,941,175	\$ 2,112,466	\$ 2,329,809	\$ 2,397,635
Contributions in relation to the contractually required contributions	<u>1,401,861</u>	<u>1,843,615</u>	<u>1,847,730</u>	<u>1,941,175</u>	<u>2,112,466</u>	<u>2,329,809</u>	<u>2,397,635</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Town's covered payroll	\$ <u>9,390,075</u>	\$ <u>9,578,569</u>	\$ <u>10,375,880</u>	\$ <u>10,921,043</u>	\$ <u>12,177,537</u>	\$ <u>12,507,395</u>	\$ <u>12,922,734</u>
Contributions as a percentage of covered payroll	14.93%	19.25%	17.81%	17.77%	17.35%	18.63%	18.55%

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, 2020**

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the Town’s pension plan at June 30, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Plan Fiscal Year 2019:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes; 20% corridor
Price Inflation	2.5% per year
Payroll Growth	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality table for males and females with credibility adjustments, adjusted for mortality improvements using Scale MP -2015, based in the last experience study.

Other Information:

Notes	Contribution rates for plan fiscal year 2019 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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EXHIBIT I
TOWN OF MERRIMACK, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefit Plan Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2020

	June 30,			
	2017	2018	2019	2020
Town's proportion of the net OPEB liability	0.41%	0.44%	0.63%	0.63%
Town's proportionate share of the net OPEB liability (asset)	\$ 1,999,186	\$ 2,008,147	\$ 2,888,468	\$ 2,757,912
Town's covered payroll	\$ 10,921,043	\$ 12,177,537	\$ 12,507,395	\$ 12,922,734
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%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%

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, 2020

	June 30,			
	2017	2018	2019	2020
Contractually required contribution	\$ 239,958	\$ 260,311	\$ 279,058	\$ 287,082
Contributions in relation to the contractually required contribution	<u>239,958</u>	<u>260,311</u>	<u>279,058</u>	<u>287,082</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Town's covered payroll	\$ <u>10,921,043</u>	\$ <u>12,177,537</u>	\$ <u>12,507,395</u>	\$ <u>12,922,734</u>
Contributions as a percentage of covered payroll	2.20%	2.14%	2.23%	2.22%

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

EXHIBIT K
TOWN OF MERRIMACK, NEW HAMPSHIRE
Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios
Town of Merrimack Single Employer Defined Contribution Plan
For the Fiscal Year Ended June 30, 2020

	June 30,	
	2020	2019
OPEB liability, beginning of year	\$ 1,802,736	\$ 1,697,732
Changes for the year:		
Service cost	7,008	6,170
Interest	43,987	54,019
Change in assumption	(52,356)	44,815
OPEB liability, end of year	\$ 1,801,375	\$ 1,802,736
Covered payroll	\$ 9,820,531	\$ 10,367,897
Total OPEB liability as a percentage of covered payroll	18.34%	17.39%

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

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

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

As required by GASB Statement No. 75, Exhibits I and J represent the actuarial determined costs associated with the Town’s other postemployment benefits at June 30, 2020. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available. There were no changes to benefit terms or assumptions in the current actuarial valuation report.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market for funding purposes: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

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

As required by GASB Statement No. 75, Exhibit K represents the actuarial determined costs associated with the Town’s other postemployment benefits at June 30, 2020. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Summary of Assumptions:

Discount Rate	2.44%																
Actuarial Cost Method	Entry Age Normal as a Level Percentage of Payroll																
Health Care Cost Trend Assumptions	The following assumptions are used for annual healthcare cost inflation (trend):																
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="border-bottom: 1px solid black;"></th> <th style="border-bottom: 1px solid black; text-align: center;">Year</th> <th style="border-bottom: 1px solid black; text-align: center;">Pre-65</th> <th style="border-bottom: 1px solid black; text-align: center;">Post 65</th> </tr> </thead> <tbody> <tr> <td>Year 1 Trend</td> <td style="text-align: center;">July 1, 2021</td> <td style="text-align: center;">7.0%</td> <td style="text-align: center;">7.0%</td> </tr> <tr> <td>Ultimate Trend</td> <td style="text-align: center;">July 1, 2031 & Later</td> <td style="text-align: center;">4.5%</td> <td style="text-align: center;">4.5%</td> </tr> <tr> <td>Grading Per Year</td> <td></td> <td style="text-align: center;">0.25%</td> <td style="text-align: center;">0.25%</td> </tr> </tbody> </table>		Year	Pre-65	Post 65	Year 1 Trend	July 1, 2021	7.0%	7.0%	Ultimate Trend	July 1, 2031 & Later	4.5%	4.5%	Grading Per Year		0.25%	0.25%
	Year	Pre-65	Post 65														
Year 1 Trend	July 1, 2021	7.0%	7.0%														
Ultimate Trend	July 1, 2031 & Later	4.5%	4.5%														
Grading Per Year		0.25%	0.25%														

TOWN OF MERRIMACK, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

Retirement Eligibility Assumptions

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

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

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

Mortality

RP 2014 Healthy Male and Female Tables are based on Employee and Healthy Annuitant Tables for both pre & post retirement projected with mortality improvements using Projection Scale AA for 3.50 years (i.e., from the date of table to the valuation date), plus twenty (20) years additional mortality improvement. This reflects an update to a more current mortality table compared to the prior valuation.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF MERRIMACK, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis) For the Fiscal Year Ended June 30, 2020

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 14,528,911	\$ 15,536,126	\$ 1,007,215
Land use change	75,000	119,830	44,830
Yield	5,000	7,173	2,173
Other taxes	250,000	250,000	-
Excavation	1,500	-	(1,500)
Payment in lieu of taxes	7,335	7,517	182
Interest and penalties on taxes	220,786	132,524	(80,262)
Total from taxes	<u>15,088,532</u>	<u>16,053,170</u>	<u>964,638</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	5,425,000	5,565,028	140,028
Building permits	175,000	172,116	(2,884)
Other	327,662	323,939	(3,723)
Total from licenses, permits and fees	<u>5,927,662</u>	<u>6,061,083</u>	<u>133,421</u>
Intergovernmental:			
State:			
Meals and rooms distribution	1,528,111	1,528,111	-
Highway block grant	607,053	606,987	(66)
Other	2,382,271	2,963,861	581,590
Federal:			
Other	-	2,069	2,069
Total from intergovernmental	<u>4,517,435</u>	<u>5,101,028</u>	<u>583,593</u>
Charges for services:			
Income from departments	2,029,926	1,912,413	(117,513)
Miscellaneous:			
Interest on investments	775,000	530,652	(244,348)
Sale of municipal property	66,460	7,713	(58,747)
Rent of property	7,500	6,500	(1,000)
Insurance dividends and reimbursements	7,500	38,677	31,177
Contributions and donations	24,874	27,477	2,603
Other	76,827	78,360	1,533
Total from miscellaneous	<u>958,161</u>	<u>689,379</u>	<u>(268,782)</u>
Other financing sources:			
Transfers in	6,456,844	2,128,439	(4,328,405)
Total revenues and other financing sources	34,978,560	\$ 31,945,512	\$ (3,033,048)
Unassigned fund balance used to reduce tax rate	666,588		
Total revenues, other financing sources, and use of fund balance	<u>\$ 35,645,148</u>		

SCHEDULE 2
TOWN OF MERRIMACK, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2020

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Election and registration	\$ -	\$ 31,434	\$ 42,574	\$ -	\$ (11,140)
Revaluation of property	2,067	324,274	313,894	2,067	10,380
Planning and zoning	-	586,585	480,475	-	106,110
General government buildings	44,408	320,752	304,440	8,828	51,892
Other	<u>84,824</u>	<u>2,546,284</u>	<u>2,826,378</u>	<u>29,541</u>	<u>(224,811)</u>
Total general government	<u>131,299</u>	<u>3,809,329</u>	<u>3,967,761</u>	<u>40,436</u>	<u>(67,569)</u>
Public Safety:					
Police	24,223	6,790,207	6,487,944	47,392	279,094
Fire	6,071	6,316,368	6,056,533	36,322	229,584
Building inspection	-	387,406	316,652	-	70,754
Emergency management	-	7,361	4,743	-	2,618
Other	<u>24,750</u>	<u>810,654</u>	<u>779,439</u>	<u>-</u>	<u>55,965</u>
Total public safety	<u>55,044</u>	<u>14,311,996</u>	<u>13,645,311</u>	<u>83,714</u>	<u>638,015</u>
Highways and streets:					
Highways and streets	<u>134,763</u>	<u>3,599,616</u>	<u>3,347,253</u>	<u>157,525</u>	<u>229,601</u>
Total highways and streets	<u>134,763</u>	<u>3,599,616</u>	<u>3,347,253</u>	<u>157,525</u>	<u>229,601</u>
Sanitation:					
Solid waste	<u>50</u>	<u>1,560,670</u>	<u>1,591,133</u>	<u>1,223</u>	<u>(31,636)</u>
Health and welfare:					
Administration	-	75,833	75,833	-	-
Direct assistance	<u>-</u>	<u>87,469</u>	<u>70,913</u>	<u>-</u>	<u>16,556</u>
Total health and welfare	<u>-</u>	<u>163,302</u>	<u>146,746</u>	<u>-</u>	<u>16,556</u>
Culture and recreation:					
Parks and recreation	279	535,761	475,957	31,948	28,135
Library	117,732	1,219,635	1,005,640	115,964	215,763
Patriotic purposes	-	51,000	49,818	-	1,182
Other	<u>-</u>	<u>66,208</u>	<u>523</u>	<u>-</u>	<u>65,685</u>
Total culture and recreation	<u>118,011</u>	<u>1,872,604</u>	<u>1,531,938</u>	<u>147,912</u>	<u>310,765</u>
Community development	<u>-</u>	<u>25,803</u>	<u>7,417</u>	<u>2,320</u>	<u>16,066</u>
Debt service:					
Principal on long-term debt	-	285,000	285,000	-	-
Interest on long-term debt	<u>-</u>	<u>131,266</u>	<u>131,265</u>	<u>-</u>	<u>1</u>
Total debt service	<u>-</u>	<u>416,266</u>	<u>416,265</u>	<u>-</u>	<u>1</u>
Capital outlay	<u>750,927</u>	<u>8,235,262</u>	<u>5,545,458</u>	<u>1,150,985</u>	<u>2,289,746</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>1,650,300</u>	<u>1,650,000</u>	<u>-</u>	<u>300</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 1,190,094</u>	<u>\$ 35,645,148</u>	<u>\$ 31,849,282</u>	<u>\$ 1,584,115</u>	<u>\$ 3,401,845</u>

SCHEDULE 3
TOWN OF MERRIMACK, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2020

Unassigned fund balance, beginning		\$ 10,135,337
Changes:		
Unassigned fund balance used to reduce tax rate		(666,588)
2020 Budget summary:		
Revenue surplus (Schedule 1)	\$ (3,033,048)	
Unexpended appropriations (Schedule 2)	<u>3,401,845</u>	
2020 Budget surplus		368,797
Increase in assigned for contingency		<u>(394,021)</u>
Unassigned fund balance, ending		<u>\$ 9,443,525</u>

SCHEDULE 4
TOWN OF MERRIMACK, NEW HAMPSHIRE
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2020

	Special Revenue Funds						Capital Projects Funds		Permanent Fund	Total	
	Cable Television	Library Fines	Fire Protection	Heritage	Conservation Commission	Current Use	Recreation Revolving	General			Highway Garage
ASSETS											
Cash and cash equivalents	\$ 472,797	\$ 115,302	\$ 80,908	\$ 20,660	\$ 47,954	\$ 913,143	\$ (22,533)	\$ 133,613	\$ 112,887	\$ 201,780	\$ 2,076,511
Investments	-	62,126	-	-	-	-	-	-	-	2,792,573	2,854,699
Taxes receivable	-	-	-	-	-	11,750	-	-	-	-	11,750
Accounts receivable	93,455	-	-	-	-	-	2,478	-	-	-	95,933
Prepaid expenses	-	-	-	-	-	-	2,450	-	-	-	2,450
Total assets	<u>566,252</u>	<u>177,428</u>	<u>80,908</u>	<u>20,660</u>	<u>47,954</u>	<u>924,893</u>	<u>(17,605)</u>	<u>133,613</u>	<u>112,887</u>	<u>2,994,353</u>	<u>5,041,343</u>
LIABILITIES											
Accounts payable	959	-	-	-	-	126	1,652	-	9,506	-	12,243
Total liabilities	<u>959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126</u>	<u>1,652</u>	<u>-</u>	<u>9,506</u>	<u>-</u>	<u>12,243</u>
DEFERRED INFLOWS OF RESOURCES											
Unavailable revenue - CATV	10,000	-	-	-	-	-	-	-	-	-	10,000
FUND BALANCES											
Nonspendable	-	-	-	-	-	-	-	-	-	1,699,763	1,699,763
Restricted	555,293	177,428	80,908	20,660	47,954	924,767	(19,257)	133,613	103,381	1,294,590	3,319,337
Total fund balances	<u>555,293</u>	<u>177,428</u>	<u>80,908</u>	<u>20,660</u>	<u>47,954</u>	<u>924,767</u>	<u>(19,257)</u>	<u>133,613</u>	<u>103,381</u>	<u>2,994,353</u>	<u>5,019,100</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 566,252</u>	<u>\$ 177,428</u>	<u>\$ 80,908</u>	<u>\$ 20,660</u>	<u>\$ 47,954</u>	<u>\$ 924,893</u>	<u>\$ (17,605)</u>	<u>\$ 133,613</u>	<u>\$ 112,887</u>	<u>\$ 2,994,353</u>	<u>\$ 5,041,343</u>

EXHIBIT C-3
TOWN OF MERRIMACK, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	Cable Television	Library Fines	Fire Protection	Heritage	Conservation Commission	Current Use	Recreation Revolving	Capital Projects Funds		Permanent Fund	Total
								General	Highway Garage		
REVENUES											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,830	\$ -	\$ -	\$ -	\$ -	\$ 119,830
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental grants and other contributions	-	17,808	-	-	-	-	124,198	125,700	-	-	267,706
Charges for services	133,398	10,601	89,470	-	-	-	-	-	-	-	233,469
Investment income (loss)	8,077	9,050	1,501	976	796	11,302	620	1,506	2,196	(164,591)	(128,567)
Miscellaneous	-	10,193	-	14	-	-	-	-	-	-	10,207
Total revenues	<u>141,475</u>	<u>47,652</u>	<u>90,971</u>	<u>990</u>	<u>796</u>	<u>131,132</u>	<u>124,818</u>	<u>127,206</u>	<u>2,196</u>	<u>(164,591)</u>	<u>502,645</u>
EXPENDITURES											
Current:											
General government	-	-	-	-	-	-	-	-	-	26,079	26,079
Public safety	-	-	96,214	-	-	-	-	-	-	-	96,214
Highway and streets	-	-	-	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	259,383	24,878	-	80	-	-	251,950	-	-	-	536,291
Community development	-	-	-	-	629	1,944	-	-	-	-	2,573
Capital outlay	35,761	-	-	-	-	-	-	125,000	80,713	-	241,474
Total expenditures	<u>295,144</u>	<u>24,878</u>	<u>96,214</u>	<u>80</u>	<u>629</u>	<u>1,944</u>	<u>251,950</u>	<u>125,000</u>	<u>80,713</u>	<u>26,079</u>	<u>902,631</u>
Excess of revenues over expenditures	(153,669)	22,774	(5,243)	910	167	129,188	(127,132)	2,206	(78,517)	(190,670)	(399,986)
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Bonds proceeds	-	-	-	-	-	-	-	-	-	-	-
Principal repayments of long-term debt	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(153,669)	22,774	(5,243)	910	167	129,188	(127,132)	2,206	(78,517)	(190,670)	(399,986)
Fund Balance, beginning of year	<u>708,962</u>	<u>154,654</u>	<u>86,151</u>	<u>19,750</u>	<u>47,787</u>	<u>795,579</u>	<u>107,875</u>	<u>131,407</u>	<u>181,898</u>	<u>3,185,023</u>	<u>5,419,086</u>
Fund Balance, end of year	<u>\$ 555,293</u>	<u>177,428</u>	<u>80,908</u>	<u>20,660</u>	<u>47,954</u>	<u>924,767</u>	<u>(19,257)</u>	<u>133,613</u>	<u>103,381</u>	<u>\$ 2,994,353</u>	<u>\$ 5,019,100</u>