

**COUNTY OF MERRIMACK**

Boscawen, New Hampshire

FINANCIAL STATEMENTS

With Schedule of Expenditures of Federal Awards

December 31, 2020

and

Independent Auditor's Report

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

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

Schedule of Findings and Questioned Costs

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

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## Table of Contents December 31, 2020

<b>Independent Auditor's Report</b>	4-5
<b>Management's Discussion and Analysis</b>	7-23
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements:	
Statement of Net Position	25
Statement of Activities	26
Fund Financial Statements:	
Balance Sheet - Governmental Funds	27
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	28
Statement of Revenues, Expenditures and Changes in Fund Balances	
Governmental Funds	29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Fiduciary Funds:	
Statement of Fiduciary Net Position	31
Statement of Changes in Fiduciary Net Position - Private Purpose Trust Funds	32
Notes to Basic Financial Statements	34-67
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule	69
Schedule of Changes in Total County OPEB Liability	70
Schedules of Proportionate Share and Contributions of the NHRS Net OPEB Liability	71
Schedules of Proportionate Share and Contributions of the Net Pension Liability	72
Notes to Required Supplementary Information	74-76
<b>Other Supplementary Information</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	
Nonmajor Governmental Funds	79
Combining Statement of Net Position - Fiduciary Funds	80
<b>Federal Awards Supplementary Information</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	82-83
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	84-85
Schedule of Expenditures of Federal Awards	87
Notes to Schedule of Expenditures of Federal Awards	89
Schedule of Findings and Questioned Costs	91-93

## **INDEPENDENT AUDITOR'S REPORT**

# ROBERGE AND COMPANY, P.C.

## Certified Public Accountants

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Member – American Institute of CPA's (AICPA)  
Member – AICPA Government Audit Quality Center (GAQC)  
Member – AICPA Private Company Practice Section (PCPS)  
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### INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
County of Merrimack  
Boscawen, New Hampshire

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Merrimack, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County of Merrimack'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, each major fund, and the aggregate remaining fund information of the County of Merrimack, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability, schedules of proportionate share and contributions of the NHRS net OPEB liability, and schedules of proportionate share and contributions of the net pension liability, as listed in the table of contents be presented to supplement the basic financial statements. 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 County of Merrimack's basic financial statements. The combining, nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations*, (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2021, on our consideration of the County of Merrimack's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Merrimack's internal control over financial reporting and compliance.

*Roberge and Co., P.C.*

### **ROBERGE & COMPANY, P.C.**

Franklin, New Hampshire  
May 10, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**County of Merrimack, New Hampshire  
December 31, 2020**

The Commissioners, County Administrator and Finance Director, as "management" of the County of Merrimack, New Hampshire (the County), submit to the readers the following discussion and narrative analysis as an overview of the financial activities of the County of Merrimack, NH for the year ended December 31, 2020. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- The County's total combined net position decreased by \$6,715,137 or 5.9% between December 31, 2019, and 2020.
- The County's total combined net position amounted to \$(121,217,991) as of December 31, 2020. Net position consisted of \$1,100,527 net investment in capital assets: \$436,810 restricted for other purposes and an unrestricted net deficit of \$(122,755,328).
- The County's long-term liabilities, consisting of general obligation bonds, capital leases, compensated absences, OPEB obligations, and net pension liabilities increased by a net (additions less reductions) \$42,776,218 during the year ended December 31, 2020. The ending long-term liabilities consisted of \$3,635,911 due next year.
- During the year, the County's expenses were \$6,715,137 more than the \$96,000,742 in revenues generated from charges for services, operating grants and contributions and general revenues (consisting of the assessment to towns and miscellaneous fees and contributions not restricted to specific purposes).

# MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Merrimack, New Hampshire  
December 31, 2020

## OVERVIEW OF THE FINANCIAL STATEMENTS

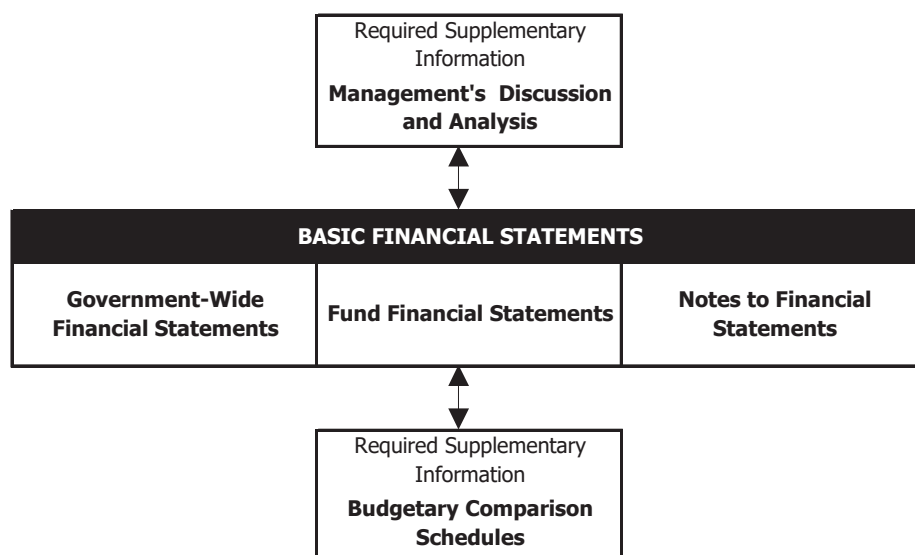
This discussion and analysis is intended to serve as an introduction to the County's annual report, which consists of a series of basic financial statements, notes and related financial or compliance information. The County's financial statements are comprised of the following primary sections or components: (1) basic government-wide financial statements, (2) basic fund financial statements, (3) notes to basic financial statements, (4) required supplementary information, (5) notes to required supplementary information, (6) other supplementary information, including combining nonmajor fund schedules, and fiduciary funds, and (7) federal supplementary information.

The basic financial statements include two kinds of statements that present different views of the County based upon measurement focus and basis of accounting.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the County, reporting the County's operations in more detail than the government-wide statements. The governmental funds statements tell how the County's services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Exhibit A-1 shows how the required parts of this annual report are arranged and related to one another.

### Exhibit A-1





# MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Merrimack, New Hampshire  
December 31, 2020

Exhibit A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain.

## Exhibit A-2

	Government-Wide	Fund Statements	
		Governmental	Fiduciary
<b>SCOPE</b>	Entire County government (except fiduciary funds)	All activities of the County that are not proprietary or fiduciary	Instances in which the County is the trustee or agent for someone else's resources
<b>REQUIRED FINANCIAL STATEMENTS</b>	Statement of Net Position	Balance Sheet	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Changes in Fiduciary Net Position
<b>ACCOUNTING BASIS</b>	Accrual	Modified Accrual	Accrual
<b>MEASUREMENT FOCUS</b>	Economic Resources	Current Financial Resources	Economic Resources
<b>TYPE OF INFORMATION ASSETS AND DEFERRED OUTFLOWS, AND LIABILITIES AND DEFERRED INFLOWS</b>	All assets and deferred outflows, and liabilities and deferred inflows, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both short-term and long-term; the Agency funds do not currently have capital assets although they can
<b>TYPE OF INFORMATION REVENUES, EXPENSES, AND EXPENDITURES</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Merrimack, New Hampshire  
December 31, 2020

## Government-Wide Financial Statements

The first two basic statements are government-wide financial statements that provide both long-term and short-term information about the County's overall financial status and report net position and changes in them. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources and is one way to measure the County's financial health, or financial position.

- Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating, respectively.
- In order to assess the overall health of the County other non-financial factors should also be considered, such as changes in the County's general revenues (principally the assessment to municipalities which is derived by local property taxes), and federal and state intergovernmental revenues; the condition of the County's buildings and other depreciable property (likelihood of emergency repairs or maintenance); and any other items subject to significant financial or budgetary uncertainty.

The government-wide financial statements of the County are included in the Governmental Activities category. Most of the County's basic services are included here, such as county administration and maintenance, county attorney, register of deeds, sheriff's department, human services, department of corrections and nursing home. General revenues, including the assessment to local municipalities, state aid, and charges for services finance most of these activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds, not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. State law, regulation or bond covenant requires some funds, while others are established to comply with the requirements of grantors. The County has two kinds of funds:

Governmental Funds - Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationships (or differences) between them.

Fiduciary Funds - The County is responsible for other assets that, because of an agency arrangement, can be used only for the intended purposes. These funds are excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Merrimack, New Hampshire  
December 31, 2020

## CONDENSED COMPARATIVE GOVERNMENT-WIDE FINANCIAL STATEMENT INFORMATION

### Net position

Exhibit B-1 shows the composition of the County's total combined net position, which decreased between December 31, 2019, and 2020 by \$6,715,137 or 5.9% to \$(121,217,991).

<b>Exhibit B-1 NET POSITION</b>				
	<b>2019</b>	<b>2020</b>	<b>Change</b>	
<b>Assets</b>				
Current and other assets	\$ 21,663,955	\$ 25,556,895	\$ 3,892,940	17.97%
Noncurrent assets	43,187,481	38,292,662	(4,894,819)	-11.33%
<b>Total assets</b>	<b>64,851,436</b>	<b>63,849,557</b>	<b>(1,001,879)</b>	<b>-1.54%</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows - pensions	4,944,060	13,819,480	8,875,420	179.52%
Deferred outflows - OPEB	8,466,945	33,943,573	25,476,628	300.90%
<b>Total deferred inflows of resources</b>	<b>13,411,005</b>	<b>47,763,053</b>	<b>34,352,048</b>	<b>256.15%</b>
<b>Liabilities</b>				
Current liabilities	9,248,731	8,793,366	(455,365)	-4.92%
Noncurrent liabilities	160,790,168	203,670,721	42,880,553	26.67%
<b>Total liabilities</b>	<b>170,038,899</b>	<b>212,464,087</b>	<b>42,425,188</b>	<b>24.95%</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows - unearned revenue	-	691,165	691,165	0.00%
Deferred inflows - advance refunding of debt	1,238,801	1,018,653	(220,148)	-17.77%
Deferred inflows - pension	3,213,784	3,972,932	759,148	23.62%
Deferred inflows - OPEB	18,273,811	14,683,764	(3,590,047)	-19.65%
<b>Total deferred inflows of resources</b>	<b>22,726,396</b>	<b>20,366,514</b>	<b>(2,359,882)</b>	<b>-10.38%</b>
<b>Net Position</b>				
Net investment in capital assets	2,227,331	1,100,527	(1,126,804)	-50.59%
Restricted	800,447	436,810	(363,637)	45.43%
Unrestricted	(117,530,632)	(122,755,328)	(5,224,696)	-4%
<b>Total net position</b>	<b>\$ (114,502,854)</b>	<b>\$ (121,217,991)</b>	<b>\$ (6,715,137)</b>	<b>-5.86%</b>

A portion of the net position is either invested in capital assets or restricted as to the purposes they can be used for.

- The County's investment in capital assets (land and improvements, buildings and improvements, and machinery and equipment, net of accumulated depreciation), net of related debt, is the largest positive component of the total combined net position.
- Restricted net position represents specific fund net position amounts that are not available for discretionary spending.

Unrestricted net position is a negative \$(122,755,328) as of December 31, 2020.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Merrimack, New Hampshire  
December 31, 2020

## Change in Net position

The County's total revenues were \$96,000,742 while total expenses were \$102,715,879, resulting in a decrease in net position of \$6,715,137.

Exhibit B-2 shows that 49.07% of the County's total revenues came from assessments to towns/cities. Operating grants and contributions provided 21.03% of total revenues, while 28.97% related to charges for services.

### Exhibit B-2 SOURCES OF COUNTY REVENUES

	2019	2020	CY %	Change
<b>Program Revenues</b>				
Charges for services	\$ 27,880,759	\$ 27,808,026	28.97%	\$ (72,733)
Operating grants and contributions	12,519,090	20,185,653	21.03%	7,666,563
<b>General Revenues</b>				
Assesments to towns/cities	46,966,012	47,110,883	49.07%	144,871
Intergovernmental	15,750	-	0.00%	(15,750)
Miscellaneous	1,416,047	611,480	0.64%	(804,567)
Other	-	284,700	0.30%	(284,700)
Total revenues	<u>\$ 88,797,658</u>	<u>\$ 96,000,742</u>	<u>100.00%</u>	<u>\$ 7,203,084</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Merrimack, New Hampshire  
December 31, 2020

Exhibit B-3 shows that a significant portion of the County's total expenses, 34.36% were for the nursing home, 15.21% were for human services, 15.28% were for the corrections department, 2.79% were for the county attorney's office and 2.52% were for the sheriff's department. Debt service represented 1.49% of total expenses. Visitation and Juvenile Services functions were combined with the Human Services Department during the year.

### Exhibit B-3 COUNTY EXPENSES

Function / Program	2019	2020	CY %	Change
Purchasing	\$ 305,726	\$ 320,259	0.31%	\$ (14,533)
Information technology	590,986	659,175	0.64%	(68,189)
Pretrial diversion	1,087,027	1,026,128	1.00%	60,899
Delegation	49,942	42,899	0.04%	7,043
Administration	692,284	757,976	0.74%	(65,692)
Finance	475,183	525,382	0.51%	(50,199)
County attorney	2,824,971	2,869,339	2.79%	(44,368)
Register of deeds	749,853	754,037	0.73%	(4,184)
Court security	873,102	828,021	0.81%	45,081
Sheriff's department	2,808,456	2,591,966	2.52%	216,490
Dispatch	944,957	949,582	0.92%	(4,625)
Gerrish assisted living	984,884	951,337	0.93%	33,547
Human services	14,195,577	15,622,909	15.21%	(1,427,332)
Visitation	352,135	-	0.00%	352,135
Juvenile services	461,370	-	0.00%	461,370
Department of corrections	14,273,806	15,691,554	15.28%	(1,417,748)
MMC facilities	5,788,099	3,951,722	3.85%	1,836,377
Health agencies	435,859	453,301	0.44%	(17,442)
Nursing home	35,241,105	35,293,554	34.36%	(52,449)
Debt service	1,711,089	1,528,183	1.49%	182,906
Capital outlay	384,414	210,655	0.21%	173,759
Miscellaneous	2,954,664	8,098,279	7.88%	(5,143,615)
Other financing uses	1,918,136	9,589,621	9.34%	(7,671,485)
Total expenses	<u>\$ 90,103,625</u>	<u>\$ 102,715,879</u>	<u>100.00%</u>	<u>\$ (12,612,254)</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Merrimack, New Hampshire  
December 31, 2020

## Governmental Activities

Exhibit B-4 presents the net cost of the County's departments based upon the total expense, less charges for services, operating grants and contributions and capital grants and contributions. The net cost reflects the amount funded by general revenues (assessments to towns and miscellaneous revenues).

Exhibit B-4  
TOTAL AND NET COST OF SERVICES

Function / Program	2019		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Purchasing	\$ 305,726	\$ 305,726	\$ 320,259	\$ 320,259
Information technology	590,986	590,986	659,175	659,175
Pretrial diversion	1,087,027	946,574	1,026,128	942,235
Delegation	49,942	49,942	42,899	42,899
Administration	692,284	670,676	757,976	757,976
Administration/Accounting	475,183	475,183	525,382	525,382
County attorney	2,824,971	2,727,419	2,869,339	2,762,773
Register of deeds	749,853	(788,858)	754,037	(1,123,879)
Court security	873,102	698,376	828,021	635,451
Sheriff's department	2,808,456	2,257,748	2,591,966	2,220,177
Dispatch	944,957	624,276	949,582	618,624
Gerrish assisted living	984,884	181,070	951,337	91,186
Human services	14,195,577	14,042,306	15,622,909	15,432,633
Visitation	352,135	349,794	-	-
Juvenile services	461,370	461,370	-	-
Department of corrections	14,273,806	13,051,785	15,691,554	13,821,476
MMC facilities	5,788,099	5,745,396	3,951,722	3,900,260
Health agencies	435,859	435,859	453,301	453,301
Nursing home	35,241,105	1,094,513	35,293,554	1,222,884
Debt service	1,711,089	1,711,089	1,528,183	1,528,183
Capital outlay	384,414	384,414	210,655	210,655
Miscellaneous	2,954,664	1,769,996	8,098,279	110,929
Other financing uses	1,918,136	1,918,136	9,589,621	9,589,621
Total expenses	<u>\$ 90,103,625</u>	<u>\$ 49,703,776</u>	<u>\$ 102,715,879</u>	<u>\$ 54,722,200</u>

The total cost of all governmental activities this year was \$102,715,879; the total net cost was \$54,722,200. The primary financing for these activities of the County was as follows:

### General Revenues

- The amount that was paid by taxpayers through assessments to municipalities was \$47,110,883.
- \$611,480 was received from miscellaneous fees and revenues.
- Other financing sources comprised of the sale of County property, contributed \$284,700.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Merrimack, New Hampshire  
December 31, 2020

Exhibit B-5 presents total program revenues as follows:

Program	2020			2019	Change
	Charges for Services	Operating Grants and Contributions	Total Program Revenue	Total Program Revenue	
Nursing Home	\$ 22,003,163	\$ 12,067,507	\$ 34,070,670	\$ 34,146,592	\$ (75,922)
Register of deeds	1,877,916	-	1,877,916	1,538,711	339,205
Human services	19,229	171,047	190,276	153,271	37,005
Finance	-	-	-	21,608	(21,608)
Sheriff	371,789	-	371,789	550,708	(178,919)
Dispatch	330,958	-	330,958	320,681	10,277
Gerrish manor	860,151	-	860,151	803,814	56,337
Corrections	1,870,078	-	1,870,078	1,222,021	648,057
County attorney	106,566	-	106,566	97,552	9,014
Pretrial diversion	73,138	10,755	83,893	140,453	(56,560)
Court security	192,570	-	192,570	174,726	17,844
Visitation	-	-	-	2,341	(2,341)
MMC facilities	42,630	8,832	51,462	42,703	8,759
Miscellaneous	59,838	7,927,512	7,987,350	1,184,668	6,802,682
	<u>\$ 27,808,026</u>	<u>\$ 20,185,653</u>	<u>\$ 47,993,679</u>	<u>\$ 40,399,849</u>	<u>\$ 7,593,830</u>

The significant change in miscellaneous Operating Grants and Contributions was primarily the result of COVID-19 grant funding received during the year.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Merrimack, New Hampshire  
December 31, 2020

Exhibit B-6 presents program expenses and comparative net program expenses as follows:

<b>Exhibit B-6</b>					
<b>TOTAL AND NET PROGRAM EXPENSES</b>					
Program	<b>2020</b>			<b>2019</b>	
	Program Expenses	Program Revenues	Net Program Expenses	Net Program Expenses	Change in Net Expenses
Purchasing	\$ 320,259	\$ -	\$ 320,259	\$ 305,726	\$ 14,533
Information technology	659,175	-	659,175	590,986	68,189
Pretrial diversion	1,026,128	83,893	942,235	946,574	(4,339)
Delegation	42,899	-	42,899	49,942	(7,043)
Administration	757,976	-	757,976	670,676	87,300
Finance	525,382	-	525,382	475,183	50,199
County attorney	2,869,339	106,566	2,762,773	2,727,419	35,354
Register of deeds	754,037	1,877,916	(1,123,879)	(788,858)	(335,021)
Court security	828,021	192,570	635,451	698,376	(62,925)
Sheriff's department	2,591,966	371,789	2,220,177	2,257,748	(37,571)
Dispatch	949,582	330,958	618,624	624,276	(5,652)
Gerrish assisted living	951,337	860,151	91,186	181,070	(89,884)
Human services	15,622,909	190,276	15,432,633	14,042,306	1,390,327
Visitation	-	-	-	349,794	(349,794)
Juvenile services	-	-	-	461,370	(461,370)
Corrections	15,691,554	1,870,078	13,821,476	13,051,785	769,691
MMC facilities	3,951,722	51,462	3,900,260	5,745,396	(1,845,136)
Health agencies	453,301	-	453,301	435,859	17,442
Nursing home	35,293,554	34,070,670	1,222,884	1,094,513	128,371
Debt service	1,528,183	-	1,528,183	1,711,089	(182,906)
Capital outlay	210,655	-	210,655	384,414	(173,759)
Miscellaneous	8,098,279	7,987,350	110,929	1,769,996	(1,659,067)
Other financing uses	9,589,621	-	9,589,621	1,918,136	7,671,485
	<u>\$ 102,715,879</u>	<u>\$ 47,993,679</u>	<u>\$ 54,722,200</u>	<u>\$ 49,703,776</u>	<u>\$ 5,018,424</u>



# MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Merrimack, New Hampshire  
December 31, 2020

## ANALYSIS OF BALANCES AND TRANSACTIONS OF THE COUNTY'S INDIVIDUAL FUNDS

### Major Funds

#### General Fund

The general fund balance increased \$3,902,601 during the year from a balance of \$15,548,331 as of December 31, 2019, to \$19,450,932 as of December 31, 2020. The December 31, 2020, fund balance consisted of \$431,503 in non-spendable prepaid expenses and inventories, \$844,490 committed for capital reserves, and an unassigned fund balance in the amount of \$18,174,939.

#### Federal Grants Fund

The Federal grants fund is classified as a special revenue fund and is reported as a major fund in the basic financial statements. The Federal grants fund was established to account for Federal grants and is operated on a cost reimbursement basis.

### Nonmajor Funds

#### JAG Grant Fund

The JAG grant fund is aggregated in the category nonmajor governmental funds in the basic financial statements. The JAG grant fund is classified as a special revenue fund. The JAG grant is operated on a cost reimbursement basis.

#### Federal Equitable Sharing Grant

The federal equitable sharing grant fund is aggregated in the category nonmajor governmental funds in the basic financial statements. The federal equitable sharing grant fund is classified as a special revenue fund. The fund was established to account for a grant and is operated on a cost reimbursement basis. The December 31, 2020, fund balance consisted of a restricted fund balance of \$399.

#### Dispatch Reserve Fund

The dispatch reserve fund is aggregated in the category nonmajor governmental funds in the basic financial statements. The dispatch reserve fund is classified as a special revenue fund. The dispatch reserve fund was established in 1990 for the purpose of upgrades and purchase of equipment for dispatch. The dispatch reserve fund balance as of December 31, 2020, is \$287,967.

#### Stop School Violence Grant Fund

The Stop School Violence grant fund is aggregated in the category nonmajor governmental funds in the basic financial statements. The Stop School Violence grant fund is classified as a special revenue fund. The Stop School Violence grant fund was established to account for grant funds and is operated on a cost reimbursement basis.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**County of Merrimack, New Hampshire  
December 31, 2020**

### Deeds Surcharge Fund

The deeds surcharge fund is aggregated in the category nonmajor governmental funds in the basic financial statements. The deeds surcharge fund is classified as a special revenue fund. It is funded through a \$2 surcharge on each document recorded at the register of deeds and is to be used for replacement of equipment at the register of deeds office. During the year \$42,765 of the fund was used to pay for the lease of computer equipment. The deeds surcharge fund balance as of December 31, 2020, is \$28,184.

### Fitness Center Fund

The fitness center fund is aggregated in the category nonmajor governmental funds in the basic financial statements. The fund is classified as a special revenue fund. The fitness center fund is used to account for contributions from employees to maintain a fitness center for employees. The December 31, 2020, fund balance was \$11,412.

### Non-Federal Grants Fund

The Non-Federal grants fund is aggregated in the category nonmajor governmental funds in the basic financial statements. The fund is classified as a special revenue fund. The fund accounts for child advocacy programs established to account for pass through money to other agencies and is operated on a cost reimbursement basis.

### Residential Substance Abuse Treatment Grant

The residential substance abuse treatment fund is aggregated in the category nonmajor governmental funds in the basic financial statements. The residential substance abuse treatment fund is classified as a special revenue fund. The fund was established to account for a grant and is operated on a cost reimbursement basis.

### Timber Conservation Fund

The timber conservation fund is classified as a special revenue fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. The timber conservation fund was established to account for a deposit called for in a Timber Sale Agreement, to be returned after the terms of the Agreement are fully met. The sale has not yet occurred. The timber conservation fund balance at December 31, 2020 is \$105,587.

### Energy Improvements and McKenna Project

The Energy Improvement and McKenna Project fund is classified as a capital project fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. It is used to account for energy upgrades made to county buildings and the renovation of the "old" jail as a rehabilitation center. The projects are being funded through general obligation debt of the county. The December 31, 2020, fund balance consisted of a restricted fund balance of \$3,261.

### New Courthouse Capital Project

The New Courthouse Capital Project Fund is classified as a capital project fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. It is used to account for construction of a new courthouse at the same location as the original courthouse. As of December 31, 2020, the project was complete.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Merrimack, New Hampshire  
December 31, 2020

## Fiduciary Funds

### **Private-Purpose Trust Funds**

#### McKenna Trust Fund

The McKenna trust fund accounts for assets held in trust for the benefit of residents of the nursing home. The net position as of December 31, 2020, was \$71,079.

#### Corrections Trust Fund

The corrections trust fund accounts for assets held in trust for the benefit of inmates at the county jail. The net position as of December 31, 2020, was \$92,856.

#### Gagnon Scholarship Trust Fund

The Gagnon scholarship trust fund accounts for assets held in trust for scholarships to be awarded to an employee of the Nursing Home who enrolls in a RN program. The net position as of December 31, 2020, was \$297.

### **Agency Funds**

At year-end the County reported agency funds, held on behalf of others, as follows:

Nursing home residents' savings	\$	140,464
Corrections inmates' savings		33,072
Adult diversion restitution		343,001
Deeds fees due to others		2,201,078
		<u>2,201,078</u>
	\$	<u>2,717,615</u>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**County of Merrimack, New Hampshire  
December 31, 2020**

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

For the year ended December 31, 2020, the County did not revise its statutory budgetary line items; rather, the County's budgetary control was managed on an aggregate total budget-to-actual basis; total estimated revenues and appropriations versus actual revenues and expenditures.

#### **Final Versus Original Budget Comparison**

The original and final budget amounts were the same for the year ended December 31, 2020.

#### **Actual Versus Final Budget Comparison**

The amounts of actual inflows (resources) and outflows (charges to appropriations) varied from the final budget for the following significant items:

- Actual inflows (resources) were more than the budgetary revenue estimates by \$2,896,172. The total excess revenues and unused fund balance available for appropriation, was \$13,544,503.
- Actual total outflows, (expenditures or charges to appropriations), were less than the budgeted appropriations by \$5,061,939. The most significant variances to voted appropriations were for the corrections department which were \$1,092,745 under expended, and the nursing home which was \$2,403,406 under expended.
- None of the currently known reasons for the budgetary variations are expected to have a significant effect on future services or liquidity.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Merrimack, New Hampshire  
December 31, 2020

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of December 31, 2020, the County had invested \$38,292,662 (\$115,536,308 at cost or estimated cost less accumulated depreciation of \$77,243,646) in a broad range of capital assets, including land, buildings and improvements, and machinery and equipment as summarized in Exhibit C-1.

This amount represents a net decrease of 11.33% from the prior year. This year major changes are also summarized in Exhibit C-1.

### Exhibit C-1 NET CAPITAL ASSETS AND MAJOR ADDITIONS

Net Capital Assets	Governmental Activities		
	2019	2020	Change
Land and improvements	\$ 320,000	\$ 320,000	0.00%
Buildings	101,062,261	100,694,015	-0.36%
Machinery and equipment	14,072,112	14,522,293	3.20%
<b>Capital assets, at cost</b>	<b>115,454,373</b>	<b>115,536,308</b>	<b>0.07%</b>
Accumulated depreciation	72,266,892	77,243,646	6.89%
<b>Capital assets, net</b>	<b>\$ 43,187,481</b>	<b>\$ 38,292,662</b>	<b>-11.33%</b>
<b>Increase (Decrease) in Capital Assets, Net</b>		<b>\$ (4,894,819)</b>	
<b>Changes</b>			
Buildings		\$ 59,981	
Machinery and equipment		603,927	
Gain (Loss) on disposals		(228,335)	
Depreciation expense		(5,330,392)	
		<b>\$ (4,894,819)</b>	

More detailed information about the County's capital assets is presented in the notes to the basic financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Merrimack, New Hampshire  
December 31, 2020

### Debt

As of December 31, 2020, the County had \$203,670,721 of net long-term obligations (\$207,306,632 in total obligations less the current portion of \$3,635,911) as summarized in Exhibit C-2.

This amount represents a net increase of 26.67% over the prior year.

### Exhibit C-2 LONG-TERM LIABILITIES

Long-Term Liabilities	Governmental Activities		
	2019	2020	Change
General obligation bonds	\$ 40,735,000	\$ 37,095,000	-8.94%
Capital leases	225,150	97,135	-56.86%
Compensated absences	2,443,900	3,307,569	35.34%
OPEB obligations	72,912,255	106,535,687	46.11%
Net pension liability	48,214,109	60,271,241	25.01%
	164,530,414	207,306,632	26.00%
Less current portion	(3,740,246)	(3,635,911)	-2.79%
	<u>\$ 160,790,168</u>	<u>\$ 203,670,721</u>	<u>26.67%</u>
<b>Increase (Decrease), Net</b>		<u>\$ 42,880,553</u>	
<b>Changes</b>			
Principal payments on general obligation bonds		\$ (3,640,000)	
Principal payment on capital leases		(128,015)	
Change in compensated absences		863,669	
Change in OPEB obligations		33,623,432	
Change in net pension liability		12,057,132	
Change in current portion		104,335	
		<u>\$ 42,880,553</u>	

State law limits the amount of general obligation debt that the County may incur at any one time to 2% of the locally assessed valuation as equalized by the Commissioner of the New Hampshire Department of Revenue Administration. As of December 31, 2020, the County was below its legal general obligation debt limit of approximately \$365,210,425.

More detailed information about the County's long-term liabilities is presented in the notes to the basic financial statements.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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County of Merrimack, New Hampshire  
December 31, 2020

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The County management team considered several factors prior to submitting the fiscal year 2021 budget to the Merrimack County Delegation. Here are some highlights of the budget.

The 2021 adopted County budget totals \$96,392,683 which includes a 1% tax decrease of \$471,109. The 2021 budget includes a total use of fund balance equal to \$6,414,375.

The budget includes a new three (3) year collective bargaining agreement for 249 nursing home employees covered by the International Chemical Workers Union contract.

During the 2021 budget process our intent was to reduce taxes by one percent from the prior fiscal year. This was due in part to our projection of reaching the 17% fund balance policy target at the conclusion of fiscal year 2020. In accordance with the County's Capital Improvement Plan (CIP) Policy the County Delegation adopted a budget that includes a \$1,000,000 transfer from unrestricted fund balance to the CIP capital reserve account in 2021. The County management team is comfortable with utilizing \$6,414,375 of fund balance to offset expenditures in 2021 as a result of the anticipated year end surplus in 2020.

Health insurance rates have increased 6.60% or \$630,000 for the upcoming fiscal year. New Hampshire Retirement System employer contribution rates will increase from 11.17% to 14.06% for full time Group 1 employees and from 28.43% to 33.88% for full time Group 2 employees. As a result, we project an increased retirement benefit cost of approximately \$604,000 in 2021. Alternative Care and Nursing Home Care costs are expected to increase by \$117,000 and \$400,000, respectively. Overall, personnel costs are set to increase by 1.47% or \$556,000. We will continue to utilize available federal grants to offset the costs of personal protective equipment and other Covid-19 related expenses. The nationwide Covid-19 pandemic is showing signs of dissipating as vaccinations are rolled out.

Finally, the County completed the refunding of general obligation bonds in April 2021 with a total cash savings of \$370,000 over the remaining twelve (12) years.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report, or need additional financial information, contact the County Administrator, c/o Merrimack County Commissioners Office, 333 Daniel Webster Highway, Suite 2, Boscowen, NH 03303 or call 603-796-6800. Please visit our website at <http://www.merrimackcounty.net/>

## **BASIC FINANCIAL STATEMENTS**



## COUNTY OF MERRIMACK, NEW HAMPSHIRE

### Statement of Net Position December 31, 2020

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 19,626,533
Receivables, net	2,780,736
Due from other governments	2,667,301
Internal balances due to/from other funds	50,822
Inventories	297,424
Prepaid expenses	134,079
Capital assets:	
Land, improvements, and construction in progress	320,000
Other capital assets, net of accumulated depreciation	<u>37,972,662</u>
Total assets	<u>63,849,557</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions	13,819,480
Deferred outflows of resources related to other post employment benefits	<u>33,943,573</u>
Total deferred outflows of resources	<u>47,763,053</u>
<b>LIABILITIES</b>	
Accounts payable	1,326,459
Accrued expenses	2,167,726
Due to other governments	1,659,101
Current portion of long-term liabilities	3,635,911
Other liabilities	4,169
Bonds payable	33,485,000
Capital lease obligations	71,224
Compensated absences	3,307,569
Post employment health obligations	106,535,687
Net pension liability	<u>60,271,241</u>
Total liabilities	<u>212,464,087</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to unearned revenue	691,165
Deferred inflows of resources related to debt refinancing	1,018,653
Deferred inflows of resources related to pensions	3,972,932
Deferred inflows of resources related to other post employment benefits	<u>14,683,764</u>
Total deferred inflows of resources	<u>20,366,514</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,100,527
Restricted for:	
Other purposes	436,810
Unrestricted	<u>(122,755,328)</u>
Total net position	<u>\$ (121,217,991)</u>

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

**COUNTY OF MERRIMACK, NEW HAMPSHIRE**

**Statement of Activities  
Year Ended December 31, 2020**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government
				Governmental Activities
<b>Governmental Activities:</b>				
Purchasing	\$ 320,259	\$ -	\$ -	\$ (320,259)
Information technology	659,175	-	-	(659,175)
Pretrial diversion	1,026,128	73,138	10,755	(942,235)
Delegation & Commissioners	42,899	-	-	(42,899)
Administration	757,976	-	-	(757,976)
Finance	525,382	-	-	(525,382)
County attorney	2,869,339	106,566	-	(2,762,773)
Register of deeds	754,037	1,877,916	-	1,123,879
Court security	828,021	192,570	-	(635,451)
Sheriff's department	2,591,966	371,789	-	(2,220,177)
Dispatch	949,582	330,958	-	(618,624)
Gerrish Manor	951,337	860,151	-	(91,186)
Human services	15,622,909	19,229	171,047	(15,432,633)
Department of corrections	15,691,554	1,870,078	-	(13,821,476)
MMC facilities	3,951,722	42,630	8,832	(3,900,260)
Health agencies	453,301	-	-	(453,301)
Nursing home administration	35,293,554	22,003,163	12,067,507	(1,222,884)
Debt service	1,528,183	-	-	(1,528,183)
Capital outlay	210,655	-	-	(210,655)
Miscellaneous	8,098,279	59,838	7,927,512	(110,929)
Other financing uses	9,589,621	-	-	(9,589,621)
Total governmental activities	<u>\$ 102,715,879</u>	<u>\$ 27,808,026</u>	<u>\$ 20,185,653</u>	<u>\$ (54,722,200)</u>
<b>General Revenues:</b>				
Assessments				\$ 47,110,883
Grants and contributions not restricted to specific purposes:				
Miscellaneous				611,480
Other financing sources				<u>284,700</u>
Total general revenues				<u>48,007,063</u>
Change in net position				(6,715,137)
Net position - beginning				<u>(114,502,854)</u>
Net position - ending				<u>\$ (121,217,991)</u>

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

**COUNTY OF MERRIMACK, NEW HAMPSHIRE**

**Balance Sheet  
Governmental Funds  
December 31, 2020**

<b>Assets</b>	<b>General Fund</b>	<b>Federal Grants</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 19,316,848	\$ -	\$ 309,685	\$ 19,626,533
Accounts receivable, net	2,778,405	-	2,331	2,780,736
Due from other governments	1,274,472	1,372,318	20,511	2,667,301
Due from other funds	519,085	-	131,605	650,690
Inventories	297,424	-	-	297,424
Prepaid expenses	134,079	-	-	134,079
Total assets	<u>\$ 24,320,313</u>	<u>\$ 1,372,318</u>	<u>\$ 464,132</u>	<u>\$ 26,156,763</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 1,209,519	\$ 116,820	\$ 120	\$ 1,326,459
Accrued expenses	1,988,259	-	-	1,988,259
Due to other governments	1,659,101	-	-	1,659,101
Due to other funds	-	572,666	27,202	599,868
Other liabilities	4,169	-	-	4,169
Total liabilities	<u>4,861,048</u>	<u>689,486</u>	<u>27,322</u>	<u>5,577,856</u>
Deferred Inflows of Resources:				
Unearned revenue	8,333	682,832	-	691,165
Total deferred inflows of resources	<u>8,333</u>	<u>682,832</u>	<u>-</u>	<u>691,165</u>
Fund balances:				
Nonspendable	431,503	-	-	431,503
Restricted	-	-	319,811	319,811
Committed	844,490	-	116,999	961,489
Assigned	-	-	-	-
Unassigned	18,174,939	-	-	18,174,939
Total fund balance	<u>19,450,932</u>	<u>-</u>	<u>436,810</u>	<u>19,887,742</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 24,320,313</u>	<u>\$ 1,372,318</u>	<u>\$ 464,132</u>	<u>\$ 26,156,763</u>

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

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

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## Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position December 31, 2020

**Total Fund Balances - Governmental Funds** \$ 19,887,742

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

Capital assets used in the governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost	\$ 115,536,308	
Less accumulated depreciation	<u>(77,243,646)</u>	38,292,662

Long-term liabilities, including bonds payable, are not due in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	(37,095,000)	
Capital lease obligations	(97,135)	
Compensated absences	(3,307,569)	
OPEB obligations	(106,535,687)	
Net pension liability	<u>(60,271,241)</u>	(207,306,632)

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due. (179,467)

Deferred outflows of resources and deferred inflows of resources related to long-term liabilities are not current financial sources and uses and therefore are not reported in the governmental funds.

Deferred outflows related to pensions	13,819,480	
Deferred outflows related to other post employment benefits	33,943,573	
Deferred inflows related to debt refinance	(1,018,653)	
Deferred inflows related to pensions	(3,972,932)	
Deferred inflows related to other post employment benefits	<u>(14,683,764)</u>	<u>28,087,704</u>

**Total Net Position - Governmental Activities** \$ (121,217,991)

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

**COUNTY OF MERRIMACK, NEW HAMPSHIRE**

**Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
Year Ended December 31, 2020**

	<b>General Fund</b>	<b>Federal Grants</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Assessments	\$ 47,110,883	\$ -	\$ -	\$ 47,110,883
Charges for services	5,764,754	-	52,282	5,817,036
Intergovernmental	221,761	5,902,893	111,953	6,236,607
Nursing home revenues	34,070,670	-	-	34,070,670
Miscellaneous	2,428,131	-	52,715	2,480,846
Total revenues	<u>89,596,199</u>	<u>5,902,893</u>	<u>216,950</u>	<u>95,716,042</u>
<b>Expenditures</b>				
Purchasing	310,060	-	-	310,060
Information technology	662,340	-	-	662,340
Pretrial diversion	1,060,070	-	-	1,060,070
Delegation & Commissioners	42,899	-	-	42,899
Administration	758,183	-	-	758,183
Finance	515,177	-	-	515,177
County attorney	2,866,546	-	-	2,866,546
Register of deeds	691,301	-	42,765	734,066
Court security	828,021	-	-	828,021
Sheriff's department	2,563,321	-	-	2,563,321
Dispatch	833,191	-	-	833,191
Gerrish Manor	946,029	-	-	946,029
Human services	15,622,909	-	-	15,622,909
Department of corrections	13,914,697	-	-	13,914,697
MMC facilities	3,614,809	-	-	3,614,809
Health agencies	453,301	-	-	453,301
Nursing home administration	33,009,611	-	-	33,009,611
Debt service	5,395,062	-	-	5,395,062
Capital outlay	173,610	-	37,045	210,655
Miscellaneous	1,841,884	6,103,984	174,963	8,120,831
Total expenditures	<u>86,103,021</u>	<u>6,103,984</u>	<u>254,773</u>	<u>92,461,778</u>
Excess (deficiency) of revenues over expenditures	<u>3,493,178</u>	<u>(201,091)</u>	<u>(37,823)</u>	<u>3,254,264</u>
<b>Other Financing Sources (Uses)</b>				
Sale of County Property	284,700	-	-	284,700
Transfers in	350,748	201,091	24,934	576,773
Transfers out	(226,025)	-	(350,748)	(576,773)
Total other financing sources (uses)	<u>409,423</u>	<u>201,091</u>	<u>(325,814)</u>	<u>284,700</u>
Net change in fund balances	3,902,601	-	(363,637)	3,538,964
Fund balances - beginning of year	<u>15,548,331</u>	<u>-</u>	<u>800,447</u>	<u>16,348,778</u>
Fund balances - end of year	<u>\$ 19,450,932</u>	<u>\$ -</u>	<u>\$ 436,810</u>	<u>\$ 19,887,742</u>

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

## COUNTY OF MERRIMACK, NEW HAMPSHIRE

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2020

**Total Net Change in Fund Balances - Governmental Funds** \$ 3,538,964

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$ 663,908	
Depreciation expense	(5,330,392)	
Gain (Loss) on disposal of assets	<u>(228,335)</u>	(4,894,819)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal on bonds, including payment to refunding bond escrow	3,640,000	
Principal on capital leases	<u>128,015</u>	3,768,015

Interest on long-term liabilities in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due. In the statement of activities, however, interest expense is accrued.

Change in accrued interest (increase) decrease		13,841
--	--	--------

In the statement of activities, certain operating expenses are measured by the amounts earned/used during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

Compensated absences (increase) decrease	(863,669)	
OPEB obligation (increase) decrease	(33,623,432)	
Net pension liability (increase) decrease	<u>(12,057,132)</u>	(46,544,233)

The change in deferred inflows and outflows of resources related to long term liabilities are reported against pension expense and other financing uses in the governmental activities.

Deferred inflows - pension (increase) decrease	(759,148)	
Deferred inflows - debt refinance (increase) decrease	220,148	
Deferred inflows - OPEB (increase) decrease	3,590,047	
Deferred outflows - pension increase (decrease)	<u>34,352,048</u>	<u>37,403,095</u>

**Change in Net Position of Governmental Activities** \$ (6,715,137)

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

**COUNTY OF MERRIMACK, NEW HAMPSHIRE****Statement of Net Position  
Fiduciary Funds  
December 31, 2020**

	<u>Total Private Purpose Trusts</u>	<u>Total Agency Funds</u>	<u>Total Fiduciary Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 222,976	\$ 2,374,614	\$ 2,597,590
Receivables, net	2,570	337,566	340,136
Due from other funds	-	5,435	5,435
Total assets	<u>225,546</u>	<u>2,717,615</u>	<u>2,943,161</u>
<b>Liabilities</b>			
Accounts payable	5,057	214,095	219,152
Due to other governments	-	1,992,418	1,992,418
Due to other funds	56,257	-	56,257
Other liabilities	-	511,102	511,102
Total liabilities	<u>61,314</u>	<u>2,717,615</u>	<u>2,778,929</u>
<b>Net Position</b>			
Held in trust	<u>164,232</u>	<u>-</u>	<u>164,232</u>
Total net position	<u>\$ 164,232</u>	<u>\$ -</u>	<u>\$ 164,232</u>

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

**COUNTY OF MERRIMACK, NEW HAMPSHIRE****Statement of Changes in Fiduciary Net Position  
Private Purpose Trust Funds  
Year Ended December 31, 2020**

	<u>McKenna Trust</u>	<u>Corrections Trust</u>	<u>Gagnon Scholarship Trust</u>	<u>Total Private Purpose Trust Funds</u>
<b>Additions</b>				
Miscellaneous	<u>\$ 44,765</u>	<u>\$ 76,422</u>	<u>\$ 295</u>	<u>\$ 121,482</u>
Total additions	<u>44,765</u>	<u>76,422</u>	<u>295</u>	<u>121,482</u>
<b>Deductions</b>				
Miscellaneous	<u>30,116</u>	<u>49,554</u>	<u>3,000</u>	<u>82,670</u>
Total deductions	<u>30,116</u>	<u>49,554</u>	<u>3,000</u>	<u>82,670</u>
Operating income (loss)	14,649	26,868	(2,705)	38,812
Net position - beginning of year	<u>56,430</u>	<u>65,988</u>	<u>3,002</u>	<u>125,420</u>
Net position - end of year	<u>\$ 71,079</u>	<u>\$ 92,856</u>	<u>\$ 297</u>	<u>\$ 164,232</u>

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



## **NOTES TO BASIC FINANCIAL STATEMENTS**

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Merrimack ("County" or "Government") have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applied to government units, except as disclosed. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB), when applicable, that do not conflict or contradict GASB pronouncements. The more significant of the generally accepted accounting principles applicable to the County, and the County's conformity with such principles, are described below.

### A. THE REPORTING ENTITY

The County of Merrimack operates under the Delegation – Commissioner form of government and provides County services as authorized by state statutes. As required by GAAP, specifically Statement #14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," these financial statements are required to present the County of Merrimack (the "primary government") and its "component units" (if any). A primary government is defined by the GASB as any state government or general purpose local government. Additionally, a primary government may also consist of a special-purpose government (such as a school district) that meets all of the following criteria: (a) it has a separately elected governing body; (b) it is legally separate; and (c) it is fiscally independent of other governments.

A component unit is defined by the GASB as a legally separate organization for which the elected officials of the primary government are "financially accountable." The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if an organization is "fiscally dependent" on the primary government. Fiscal independency is defined by the GASB as the ability to complete certain essential fiscal events without substantive approval by a primary government; (a) determine its budget without another government's having the authority to approve and modify that budget, (b) levy taxes or set rates or charges without approval by another government, and (c) issue bonded debt without approval by another government. Based upon the application of these criteria, there were no potential component unit's identified in defining the County's reporting entity.

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

Notes to Basic Financial Statements  
December 31, 2020

## B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. The County does not have any business type primary activities.

In the government-wide Statement of Net position, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions / programs. The functions / programs are also supported by general revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants reflect capital-specific grants. The net costs (by function) are normally covered by general revenue. The County does not allocate indirect costs.

This government-wide focus is more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities.

## C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Funds are classified into three major categories: Governmental, Proprietary and Fiduciary.

Fund financial statements focus on major funds of the primary government in contrast to the governmental and business type (if any) activities reported in the government-wide financial statements. Major funds represent the government's most important funds and are determined based on a minimum criteria set forth in GASB 34 (numerical formula using total assets, liabilities, revenues, or expenditures/expenses of either fund category or activity combined). The general fund is always required to be reported as major fund. The following fund types are used by the County:

1. **Governmental Funds** – The focus of governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the County:

**General Fund** is the general operating fund of the County and is used to account for all resources except those required to be accounted for in another fund.

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The County reports various grants as separate special revenue funds along with a Dispatch Reserve Fund, Deeds Surcharge Fund, Timber Conservation Fund, and Fitness Center Fund.

**Capital Project Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The County currently is reporting an Energy Improvement/Mckenna Project Fund and New Courthouse Project Fund.

**Permanent funds** are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government programs. This includes nonexpendable trust funds that were reported as fiduciary trust funds prior to the implementation of GASB No. 34. The County does not report any permanent funds.

2. **Fiduciary Funds** – The reporting focus of fiduciary funds is on net position and, for private purpose trust funds, changes in net position. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements. The following is a description of the fiduciary funds of the County:

**Private Purpose Trust Funds** are used to report trust arrangements under which the assets are essentially held in trust for someone outside the reporting entity. The County reports the following private purpose trust funds; McKenna Trust, Corrections Trust and Gagnon Scholarship Trust.

**Agency Funds** are used to report assets held in a custodial capacity for individuals or organizations outside of the reporting entity. The assets for these funds equal the liabilities and there is no operating activity to report. The County reports the following agency funds; Residents Fund, Inmates Fund, Adult Diversion/Restitution Fund, and Deeds Transfer Tax Fund.

### D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Two different measurement focuses are used under the new financial reporting model, the flow of current financial resources and the flow of economic resources. The determination of when transactions are recognized is referred to as the basis of accounting. Like measurement focus, there are two different bases of accounting used, the accrual basis and the modified accrual basis.

#### Government-Wide Financial Statements

The government-wide financial statements use the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, generally, all revenues, expenses, gains, losses, assets, and liabilities should be recognized when the economic exchange takes place. The government-wide financial statements report all of the assets, liabilities, revenues, expenses, and gains and losses of the entire government. These financial statements do not report fund information. Instead they focus on two specific types of activities performed by the government, "governmental activities" and, when applicable, "business type activities". Governmental and proprietary fund types are included in the governmental and, when applicable, business type activities reported in the government-wide financial statements and therefore utilize the measurement focus and basis of accounting applicable to these statements. Fiduciary funds are not reported in the government-wide financial statements.

#### Fund Financial Statements

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and assets are recognized when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures and liabilities are recognized in the accounting period in which the fund liability is incurred, with certain modifications. Debt service and capital lease payments are recognized when the payment is due and compensated absences, claims and judgments, and special termination benefits are recognized to the extent that the liabilities are "normally expected to be liquidated with expendable available financial resources". Fiduciary fund financial statements use the economic resources measurement focus and the full accrual basis of accounting.

### E. BUDGETS

Governmental revenues and expenditures are controlled by a formal integrated budgetary system which is substantially consistent with applicable State finance-related laws and regulations which govern the County's operations. The County budget is voted on at the delegation meeting. The New Hampshire Department of Revenue Administration utilizes the adopted County budget, and other town, school, and (sometimes) precinct tax assessment information, to calculate, determine and establish the annual tax rate of the town(s) against which the County assessment(s) are made. State legislation also requires balanced budgets and, in most cases, the use of the beginning general fund unreserved fund balance to reduce the amount of the subsequent County assessment to be made. For the County fiscal year ended December 31, 2020, \$4,900,000 in beginning general fund unassigned fund balance was used to reduce the County assessment.

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

Notes to Basic Financial Statements  
December 31, 2020

## F. ASSETS, LIABILITIES, AND NET POSITION

### Cash and Cash Equivalents and Investments

Cash and equivalent accounts include amounts in demand and savings account deposits, certificates of deposit or short-term investments with an original maturity date of three months or less.

Investments are reported at fair value. Fair value is based on quoted market price.

### Interfund Activity

Interfund activity is reported as either, loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to at market or near market rates, are treated as revenues and expenditures / expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

### Inventories

Inventories are carried at cost using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when when consumed. The County reports inventory balances in the general fund. Examples of inventories reported include; fuel oil, food used in dietary operations and various maintenance supplies.

### Capital Assets

For government-wide financial statements, capital assets purchased or acquired, in accordance with the County's capitalization policy, are reported at historical cost or estimated historical cost. Contributed assets, if any, are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight line basis over the assets estimated useful lives:

ASSET	Capitalization Threshold	Estimated Useful Lives
Land improvements	\$ 5,000	20
Buildings and improvements	\$ 5,000	20-50
Machinery, equipment and other	\$ 500	5-20
Vehicles	All	8-10

For fund financial statements, capital assets purchased for governmental operations are accounted for as capital expenditures of the governmental fund at the time of purchase.

### Long-term Obligations

All long-term debt is reported as liabilities in the government-wide financial statements. Long-term debt generally consists of, bonds and notes payable, capital leases, accrued compensated absences, other post-employment benefits and net pension liabilities. Governmental funds reported in the fund financial statements are concerned with current financial resources only and do not report long-term debt. Instead, debt proceeds are reported as other financing sources when received and payments of principle and interest are reported as expenditures when due.

The County implemented Governmental Accounting Standards Board Statement No. 75 – *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, which requires governments to account for other post-employment 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 post-employment benefits, rather than when they use their post-employment benefit.

### Compensated Absences

County employees are sometimes entitled to certain compensated absences based, in part, on their length of employment. In accordance with GASB Statement #16, “Accounting for Compensated Absences”, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Compensated absences are generally calculated in accordance with the specific requirements of collective bargaining agreements or personnel policies and can include (a) vacation leave, (b) sick leave, or (c) severance and retirement bonus packages.

### Pensions

The County implemented Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions*. As a result, the County is required to report its proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, and information about the fiduciary net position of the New Hampshire Retirement System, (NHRS) a Cost-Sharing Multiple Employer Defined Benefit Pension Plan.

### Governmental Fund Equity and Fund Balance Policy

The county implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement established new fund balance classifications and reporting requirements as follows:

**Nonspendable** – Are fund balances that cannot be spent because they are either; not in spendable form, such as inventories or prepaid amounts, or are legally or contractually required to be maintained intact, such as the principal of a permanent fund.

**Restricted** – Are amounts that can only be used for specific purposes because of enabling legislation or externally imposed constraints, such as grant requirements or laws or regulations.

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

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## Notes to Basic Financial Statements December 31, 2020

Committed – Are amounts that can be used for specific purposes because of a formal action by the entities highest level of decision-making authority (County Delegation). This would include contractual obligations if existing resources have been committed. Formal action (Commissioners vote at a public meeting) to establish constraints should be taken before year-end, even if the amount might not be determined until the subsequent period.

Assigned – Are amounts intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body (Board of Commissioners), or by and official whom authority has been given (County Administrator). Such assignments cannot exceed the available fund balance in any particular fund. This is the residual fund balance classification of all governmental funds except the general fund. Assigned fund balances should not be reported in the general fund if doing so causes the government to report a negative “unassigned” general fund balance.

Unassigned – Is the residual classification for the general fund. The general fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

In instances where both restricted and unrestricted fund balances are available to fund expenditures, the restricted fund balances will be exhausted first, followed by the unrestricted classifications of, committed, assigned and unassigned fund balances.

The county has adopted a policy regarding the maintenance of a minimum unassigned fund balance in the general fund of no less than two months of operating appropriations. This amounts to a minimum level of 17%.

### Revenues

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the period in which the resources are measurable and available. Revenue resulting from non-exchange transactions, in which the County receives value without directly giving equal value in return, generally includes grants and donations and is recognized when applicable grantor requirements, including purpose, eligibility, timing, and matching have been met.

General revenues on the Statement of Activities include the County assessment (levied by the appropriate local governments as property taxes) and various other sources that are not program revenues (charges for services, or related to operating or capital grant programs).

### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures. Accordingly, actual results could differ from those estimates.



## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Legal Debt Limit

Per state statute, the County may not incur debt at any one time in excess of 2% of its locally assessed valuation (for all municipalities included in the County) as last equalized by the Commissioner of the New Hampshire Department of Revenue Administration.

For the year ended December 31, 2020, the County had not exceeded its legal debt limit.

### Risk Management

The County is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees and natural disasters. The County participates in the Workers' Compensation, Property/Liability, and Cyber Liability programs of the "New Hampshire Public Risk Management Exchange" (Primex), a "Public Entity Risk Pool". Settled claims, if any, have not exceeded the County's coverage in any of the past three fiscal years. Primex is a pooled risk management program under RSA 5-B and RSA 281-A. The Primex board has determined to totally retain the risk exposure for workers' compensation and has allocated funds based on actuarial analysis for that purpose. The County shares in contributing to the cost of, and receiving the benefits from, a self-insured pooled risk management program. The member participation agreement permits Primex 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.

### Claims, Judgments and Contingent Liabilities

#### Grant Programs

The County participates in numerous state, federal and private funded programs, which are governed by various laws, regulations, contracts and agreements of the grantor. Costs charged to these programs are subject to audit or review by the grantor; therefore, to the extent that the County has not complied with laws, regulations, contracts and agreements of the grantor, refunds of money for any disallowed claims, including amounts already collected, may constitute a contingent liability of the County. As of December 31, 2020, the County believes that there are no significant contingent liabilities relating to compliance with the laws, regulations, and contracts and agreements governing these programs; therefore, no provision has been recorded in the financial statements for such contingencies.

#### Litigation

The County is subject to various claims, and sometimes lawsuits, which arise in the normal course of operations. Management of the County believes that the outcome of these contingencies will not have a materially adverse effect on the financial statements and accordingly, no provision for loss has been recorded.

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

## Notes to Basic Financial Statements December 31, 2020

### NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 19,626,533
Fiduciary funds:	
Cash and investments	<u>2,597,590</u>
	<u>\$ 22,224,123</u>

Deposits and investments as of December 31, 2020, consist of the following:

Cash on hand	\$ 2,220
Deposits with financial institutions	22,221,903
Investments	-
	<u>\$ 22,224,123</u>

#### Credit Risk - Deposits

In accordance with RSA 29:1 the county treasurer shall deposit all county moneys in participation units in the public deposit investment pool established pursuant to RSA 383:22 or in solvent banks in the state, except that funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the regional federal reserve bank collateral security for such deposits, United States government obligations, United States government agency obligations, or obligations of the state of New Hampshire in value at least equal to the amount of the deposit in each case. The amount of collected funds on deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus.

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As of December 31, 2020, \$558,403 of the County's bank balance of \$24,911,295 was covered by FDIC insurance while of the balances held in TD Bank were collateralized by a Letter of Credit Trust Agreement established in the County's favor by TD Bank, N.A., as Trustor, and the Bank of New York Mellon, as Letter of Credit Trustee in the amount of \$23,610,278 and the balances held in Franklin Savings Bank were collateralized by securities held for the benefit of depositors.

## Credit Risk - Investments

In accordance with RSA 29:1 whenever the county treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the treasurer shall, with the approval of the commissioners, invest the same in obligations of the United States government, in participation units in the public deposit investment pool established pursuant to RSA 383:22, in savings bank deposits of banks incorporated under the laws of the state of New Hampshire or in certificates of deposits 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 County.

The county did not report any investments as of December 31, 2020.

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

## Notes to Basic Financial Statements December 31, 2020

### NOTE 4 - CAPITAL ASSETS

Capital asset activity of the County for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental Activities (at cost)</b>				
<b>Capital assets not being depreciated:</b>				
Land and improvements	\$ 320,000	\$ -	\$ -	\$ 320,000
	<u>320,000</u>	<u>-</u>	<u>-</u>	<u>320,000</u>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	100,949,637	59,981	315,603	100,694,015
Machinery and equipment	14,184,736	603,927	266,370	14,522,293
	<u>115,134,373</u>	<u>663,908</u>	<u>581,973</u>	<u>115,216,308</u>
Less accumulated depreciation:				
Buildings and improvements	63,680,110	2,576,086	118,471	66,137,725
Machinery and equipment	8,586,782	2,754,306	235,167	11,105,921
Accumulated depreciation	<u>72,266,892</u>	<u>5,330,392</u>	<u>353,638</u>	<u>77,243,646</u>
Capital assets being depreciated, net	<u>42,867,481</u>	<u>(4,666,484)</u>	<u>228,335</u>	<u>37,972,662</u>
<b>Governmental activities capital assets, Net of accumulated depreciation</b>	<u>\$ 43,187,481</u>	<u>\$ (4,666,484)</u>	<u>\$ 228,335</u>	<u>\$ 38,292,662</u>
Depreciation expense for the year ended December 31, 2020				<u>\$ 5,330,392</u>

Depreciation expense was charged as direct expense to programs of the primary government as follows:

	<b>Depreciation Allocation</b>
Purchasing	\$ 10,199
Information technology	77,862
Pretrial diversion	15,414
Administration	668
Administration/Accounting	13,130
County attorney	2,793
Register of deeds	35,412
Sheriff's department	147,700
Dispatch	116,391
Department of corrections	1,908,778
MMC facilities	531,159
Nursing home	2,445,613
Other	25,273
Total capital assets being depreciated	<u>\$ 5,330,392</u>

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

Notes to Basic Financial Statements  
December 31, 2020

## NOTE 5 - LONG-TERM LIABILITIES

The County can issue general obligation debt instruments to provide funds for the acquisition and construction of major capital equipment, infrastructure and other facilities. General obligation debt instruments are "direct government obligations" and consequently are a pledge of the full faith and credit of the County. The County is obligated under certain leases accounted for as capital leases. The leased assets are accounted for as capital assets and capital lease liabilities in the government-wide financial statements. In the governmental fund financial statements the lease is recorded as an expenditure and other financing source in the year executed; annual lease payments are recorded as expenditures when paid. Other long-term obligations include compensated absences, net pension liabilities and other post-employment benefits.

A summary of long-term liabilities outstanding at December 31, 2020 is as follows:

	<b>General Obligation Bonds</b>	<b>Capital Leases</b>	<b>Compensated Absences</b>	<b>OPEB Obligation</b>	<b>Net Pension Liability</b>	<b>Total</b>
Beginning balance	\$ 40,735,000	\$ 225,150	\$ 2,443,900	\$ 72,912,255	\$ 48,214,109	\$ 164,530,414
Additions	-	-	863,669	35,580,206	12,057,132	48,501,007
Reductions	<u>(3,640,000)</u>	<u>(128,015)</u>	-	<u>(1,956,774)</u>	-	<u>(5,724,789)</u>
Ending balance	<u>37,095,000</u>	<u>97,135</u>	<u>3,307,569</u>	<u>106,535,687</u>	<u>60,271,241</u>	<u>207,306,632</u>
Current portion	3,610,000	25,911	-	-	-	3,635,911
Noncurrent portion	<u>33,485,000</u>	<u>71,224</u>	<u>3,307,569</u>	<u>106,535,687</u>	<u>60,271,241</u>	<u>203,670,721</u>
	<u>\$ 37,095,000</u>	<u>\$ 97,135</u>	<u>\$ 3,307,569</u>	<u>\$ 106,535,687</u>	<u>\$ 60,271,241</u>	<u>\$ 207,306,632</u>

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

## Notes to Basic Financial Statements December 31, 2020

Long-term liabilities outstanding as of December 31, 2020 consisted of the following:

	<u>Issue Year</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Amount of Issue</u>	<u>Amount Outstanding 12/31/20</u>
<u>General Obligation Bonds</u>					
Refunding Debt	2012	2.706	2024	\$ 13,955,000	\$ 4,685,000
Refunding Debt	2014	2.691	2032	26,550,000	20,305,000
McKenna Renovations and Energy Improvements	2016	2.23	2035	14,267,500	<u>12,105,000</u>
					<u>37,095,000</u>
<u>Capital Lease Obligations</u>					
Security Scanner	2019	4.72%	2025	121,679	87,070
GM Financial	2019	3.29%	2021	30,225	<u>10,065</u>
					<u>97,135</u>
<u>Other Long-Term Obligations</u>					
Compensated Absences - General					2,264,629
Compensated Absences - Nursing					1,042,940
OPEB Bbligation					106,535,687
Net Pension Liability					<u>60,271,241</u>
					<u>170,114,497</u>
					<u>\$ 207,306,632</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,610,000	\$ 1,419,038	\$ 5,029,038
2022	3,625,000	1,255,638	4,880,638
2023	3,650,000	1,091,487	4,741,487
2024	3,355,000	926,387	4,281,387
2025	2,650,000	797,237	3,447,237
2024 to 2028	13,455,000	2,388,504	15,843,504
2029 to 2033	<u>6,750,000</u>	<u>383,461</u>	<u>7,133,461</u>
	<u>\$ 37,095,000</u>	<u>\$ 8,261,752</u>	<u>\$ 45,356,752</u>

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

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## Notes to Basic Financial Statements December 31, 2020

Obligations under capital leases are as follows:

<u>Year Ended December 31,</u>	
2021	\$ 30,581
2022	19,956
2023	19,956
2024	19,956
2025	<u>19,955</u>
Total minimum lease payments	110,404
Less amount representing imputed interest	<u>13,269</u>
Present Value of minimum lease payments	<u>\$ 97,135</u>

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

Notes to Basic Financial Statements  
December 31, 2020

## NOTE 6 - INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

### Intergovernmental Receivables

Intergovernmental receivables as of December 31, 2020, consisted of the following:

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Nonmajor Governmental Funds</u>
State of New Hampshire			
Quarterly bed tax	\$ 1,061,479	\$ -	
Pass through grants	-	1,372,318	\$ 20,511
Court Security and Prisoner Control	52,680	-	-
US Government			
US Marshall's office	<u>160,313</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,274,472</u>	<u>\$ 1,372,318</u>	<u>\$ 20,511</u>

General fund receivables are due from the State of NH for the quarterly quality assessment reimbursement from the Nursing Facility Trust Fund in accordance with RSA 151-E:15. Amounts due from the US Marshall's office are for federal inmates being held at the county jail. Grant fund receivables are for expense reimbursements not received until after year end. Nonmajor fund receivables are for grants that operate on an expenditure reimbursement basis.

### Intergovernmental Payables

Intergovernmental payables as of December 31, 2020 consisted of the following:

	<u>General Fund</u>	<u>Agency Funds</u>
State of New Hampshire		
Real estate transfer taxes	\$ -	\$ 1,992,418
NHDHHS - Nursing facility quality assessment	359,929	-
NHDHHS - Human service costs	<u>1,299,172</u>	<u>-</u>
	<u>\$ 1,659,101</u>	<u>\$ 1,992,418</u>

General fund intergovernmental payables are due to the State of NH for the 4<sup>th</sup> quarter Nursing Facility Quality Assessment (Bed Tax) assessed to the nursing home based on revenues for the quarter, and for the December human service bill from the Dept. of Health and Human Services for "Nursing Home Care" and "Alternative Care". Agency fund intergovernmental payables are due to the NH Department of Revenue Administration for real estate transfer taxes collected on behalf of the state.



# COUNTY OF MERRIMACK, NEW HAMPSHIRE

## Notes to Basic Financial Statements December 31, 2020

### NOTE 7 - INTERFUND BALANCES AND TRANSFERS

Individual interfund balances as of December 31, 2020, consisted of the following:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General fund	\$ 519,085	\$ -
Grants fund	-	572,666
Nonmajor Funds:		
Dispatch reserve	-	4,480
Stop school violence	-	20,391
Deeds surcharge	22,358	-
Timber conservation	105,587	-
Federal equitable sharing	399	-
Non Federal grants	-	2,331
Energy improvement project	3,261	-
Fiduciary Funds:		
Private purpose trust funds	-	56,257
Agency funds	5,435	-
	<u>\$ 656,125</u>	<u>\$ 656,125</u>

Balances resulted from the time lag between dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments or offsets between funds are completed.

Individual interfund transfers for the year ended December 31, 2020, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ 350,748	\$ 226,025
Grants fund	201,091	-
Nonmajor Funds:		
Capital project fund - Court House	-	350,748
JAG Grant	2,202	-
Stop School Violence	18,632	-
Non Federal Grants	1,960	-
Residential Substance Abuse Treatment	2,140	-
	<u>\$ 576,773</u>	<u>\$ 576,773</u>

The County makes routine transfers during the year between the general fund and other funds based upon statutory or budgetary authorization. The general fund reports operating transfers to special revenue grant funds for budgeted expenditures in excess of the authorized grant awards. The Court House capital project balance was transferred to the general fund when the project closed.

## NOTE 8 - DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency (employees may borrow against it and do have ROTH options, as well). Accounting and reporting for the plan is done in accordance with GASB No. #32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". The plan assets are administered by a nongovernmental third party and the plan administrator invests plan assets at the direction of the plan's participants, not the County. As a result, the plan is not reported within these financial statements.

## NOTE 9 - EMPLOYEE AND COLLECTIVE BARGAINING AGREEMENTS

The County regularly enters into long-term agreements, as a result of collective bargaining, with the State Employees' Association of New Hampshire, Inc., Local 1984, representing the Merrimack County Department of Corrections employees; the International Chemical Workers Union Council, United Food and Commercial Workers Union, Local 1046, representing Merrimack County Nursing Home employees as identified in Article 1 A of the agreement; the National Correctional Employee Union, representing Corrections employees; and the New England Police Benevolent Association, representing the Sheriff's Department employees. The financial costs of such agreements, which consist of both compensation amounts and fringe benefits (health, dental, group life and disability insurance's and sick-vacation-personal day absences) must be ratified by both the County delegation, (funding approval) and the County commissioners, (contract execution).

## NOTE 10 - PENSION PLAN

The County participates in the New Hampshire Retirement System (the "System"), a cost-sharing multiple-employer defined benefit pension plan and trust established in 1967 by RSA 100-A:2 administered by a Board of Trustees. The plan is a contributory plan that provides service, disability, death and vested retirement benefits to members and their beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

The System is funded by contributions from both the employees and the County. Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the System Board of Trustees based on an actuarial valuation. Group I Plan members (employees and teachers) are required to contribute 7.0% of their earnable compensation; Group II Police members contribute 11.55% of earnable compensation and the County is required to contribute at an actuarially determined rate. The County's contribution rates as of December 31, 2020, were 11.17% for Employees, 28.43% for Group II Policemen, and 31.89% for Group II Firemen, if applicable, of covered payroll, respectively. The County's contributions to the System for the years ending December 31, 2020, 2019, and 2018 were \$4,471,635, \$4,593,299, and \$4,561,743, respectively, equal to the required contributions for each year.

## NOTE 11 – PROPORTIONATE SHARE OF NET PENSION LIABILITY

The County implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense information about the fiduciary net position of the New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan (NHRS) and additions to/deductions from NHRS’s fiduciary net position have been determined on the same basis as they are reported by NHRS.

### General Information about the Pension Plan

Plan description. The New Hampshire Retirement System (NHRS, Plan or System) is a public employee retirement system which administers a cost-sharing multiple-employer defined benefit pension plan (Pension Plan). For additional NHRS information, please refer to the fiscal 2020 Comprehensive Annual Financial Report, which can be found on the NHRS website at [www.nhrs.org](http://www.nhrs.org).

Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

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

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

<b>Years of creditable service as of January 1, 2012</b>	<b>Minimum age</b>	<b>Minimum service</b>	<b>Benefit multiplier</b>
At least 3 but less than 10 years	46	21	2.40%
At least 6 but less than 8 years	47	22	2.30%
At least 4 but less than 6 years	48	23	2.20%
Less than 4 years	49	24	2.10%

Contributions. By Statute, the Board of Trustees of the System is responsible for the certification of employer contribution rates, which are determined through the preparation of biennial valuation of the System’s assets by the System’s actuary using the entry age normal cost method.

The employer contributions used in the schedules of employer allocations is a component of total employer contributions presented in the System’s financial statements for the corresponding period. The employer (county) proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense is allocated based on the ratio of each employer’s contribution to the Pension Plan’s total employer contributions during the period.

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

## Notes to Basic Financial Statements December 31, 2020

Actuarial assumptions. The collective pension liability was based on the following actuarial assumptions:

Inflation	2.00%	
Salary increases	5.60%	average, including inflation
Wage inflation	2.75%	
Investment rate of return	6.75%	Net of pension plan investment expense, including inflation

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

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

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%.
- Reduced wage inflation from 3.25% to 2.75%.
- Reduced price inflation from 2.5% to 2.0%.
- Updated demographic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables).

The long-term expected rate of return on pension plan investments 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 rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. 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 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 and 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 investments was applied to all periods of projected benefit payments to determine the collective total pension liability.

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

## Notes to Basic Financial Statements December 31, 2020

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current single rate assumption</u>	<u>1% Increase to</u>
Employer's proportionate share of the net pension liability:			
December 31, 2020	\$ 78,026,728	\$ 60,271,241	\$ 45,762,657

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of December 31, 2020, the County reported a liability of \$60,271,241 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 County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating members, actuarially determined. As of December 31, 2020, the County's proportion was 0.94230483 percent, which was a decrease of 0.05972279 from the prior year.

For the year ended December 31, 2020, the County recognized pension expense of \$8,088,122. As of December 31, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total Excluding Employer Contributions</u>
Differences between expected and actual experience	\$ 1,627,615	\$ 647,140	\$ 980,475
Changes of assumptions	5,962,021	-	5,962,021
Net differences between projected and actual earnings on pension plan investments	3,727,841	-	3,727,841
Changes in proportion and differences between Employer contributions and proportionate share of contributions	436,700	3,325,792	(2,889,092)
Employer contributions subsequent to the measurement date	2,065,303	-	NA
Total	<u>\$ 13,819,480</u>	<u>\$ 3,972,932</u>	<u>\$ 7,781,245</u>

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

## Notes to Basic Financial Statements December 31, 2020

Deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. 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>For the Year Ending December 31,</u>	<u>Deferred Outflows/(Inflows)</u>
2021	\$ 1,502,051
2022	2,042,319
2023	2,200,490
2024	2,036,385
Total	<u>\$ 7,781,245</u>

## NOTE 12 – ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75

### **A. COUNTY OPEB PLAN**

#### **Plan description**

GASB Statement 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment 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 post-employment benefits, rather than when they use their post-employment benefit. The post-employment benefit liability is recognized on the Statement of Net Position over time.

GASB No. 75 requires that employers recognize the expected claims of the retiree population less the expected contributions by those retirees. This is not necessarily the same determination as the expected cash payments of the employer for retiree health benefits. The difference is that many post-employment health plans charge the same premium rates for all participants in a non-Medicare plan regardless of their age. This single premium rate is called a blended premium rate because it blends the expected claims of both active and retired participants. Retirees are generally older than the average participant in a non-Medicare plan, which means they are expected to generate higher claims than the average participant of the plan; therefore, they are receiving a subsidy even if they pay 100% of the blended premium rate because they would be paying less in premiums than their claims costs. This subsidy is referred to as the "Implicit Rate Subsidy".

Another way of considering the Implicit Rate Subsidy is to assume the retirees were removed from a blended plan and, instead, separately rated. In this scenario, the premium rate for the remaining active population would be lower; therefore, the retirees' premium rate is being subsidized by the premiums for active employees. Since the employer generally pays a portion of the premiums for the active employees, this subsidy creates a liability for the employer.

By comparison, the cash costs are the actual dollars paid by the employer to cover a portion or all of the retirees' premium rates. This is sometimes referred to as the "Explicit Rate Subsidy". This is the benefit that is explicitly stated by the County that will be paid on behalf of retirees.

GASB 75 reports are required to value both the Implicit Rate Subsidy and the Explicit Rate Subsidy. This report values both the Explicit subsidy and the Implicit Rate Subsidy.

#### **Benefits Provided**

The County provides medical benefits to eligible retirees at a percentage of the monthly premium based upon the number of years of service at the time of retirement. The same medical benefit options are available to retirees as are offered to active employees. The description of the benefits is defined in the agreements with applicable union groups and in county personnel policies for classified and unclassified employees not covered by union agreements.

## **Eligibility**

All NHRS Group I employees are eligible to receive lifetime retiree benefits once they meet the following eligibility requirements:

1. Hired prior to July 1, 2011 – earlier of:
  - a. Age 60; or
  - b. Age 50 with 10 years of service; or
  - c. 20 years of service and rule of 70 age and service combination
2. Hired on/after July 1, 2011 – earlier of:
  - a. Age 65; or
  - b. Age 60 with 30 years of service

In addition to the eligibility requirements above, employees belonging in the following groups must have been employed full-time by the County on a continual basis for ten years at the time of retirement to be eligible for retiree health care coverage:

- ICWUC, NEPBA, and Non-Union employees belonging who were hired on/after January 1, 1997
- NCEU and SEA employees regardless of hire date

All NHRS Group II employees are eligible to receive lifetime retiree benefits once they meet the following eligibility requirements:

1. Hired prior to July 1, 2011 – earlier of:
  - a. Age 45 with 20 years of service; or
  - b. Age 60
2. Hired on/after July 1, 2011 – earlier of:
  - a. Age 50 with 25 years of service (reduced early retirement)
  - b. Age 52.5 with 25 years of service
  - c. Age 60

In addition to the eligibility requirements above, NCEU and SEA employees belonging in Group II must have been employed full-time by the County on a continual basis for ten years at the time of retirement to be eligible for retiree health care coverage.

Non-Union employees hired on or after January 1, 2020, are not eligible for benefits.



# COUNTY OF MERRIMACK, NEW HAMPSHIRE

Notes to Basic Financial Statements  
December 31, 2020

## County Explicit Subsidy

The County's explicit subsidy for single coverage follows the table below.

### **ICWUC, NEPBA, and Non-Union Employees**

<u>Hired prior to January 1, 1997</u>		<u>Hired on/after January 1, 1997</u>	
<u>Years of Continuous Service</u>	<u>% Premium paid by the County</u>	<u>Years of Continuous Service</u>	<u>% Premium paid by the County</u>
<10	0%	<20	0%
10 - 14	50%	20 - 29	50%
15 - 19	75%	30+	75%
20+	100%		

### **NCEU and SEA Employees**

<u>Hired prior to April 16, 2009</u>		<u>Hired on/after April 6, 2009</u>	
<u>Years of Continuous Service</u>	<u>% Premium paid by the County</u>	<u>Years of Continuous Service</u>	<u>% Premium paid by the County</u>
<10	0%	<20	0%
10 - 14	50%	20 - 29	50%
15 - 19	75%	30+	75%
20+	100%		

The table above applies to medical, prescription drug, and dental benefits.

There is no County explicit subsidy for dependent coverage.

## Retiree Cost Sharing

Retirees are responsible for the portion of premium rates not covered by the County's explicit subsidy.

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

Notes to Basic Financial Statements  
December 31, 2020

## **New Hampshire Retirement System (NHRS) Subsidy Eligibility**

Group I members who retire at the earlier of: (a) age 60 with 20 years of service, or (b) age 55 with 30 years of service are eligible for the NHRS medical subsidy.

Additionally:

1. Member must have accumulated at least 20 years of medical subsidy eligible credible service as a Group I member or political subdivision employee as of July 1, 2008, and be eligible to retire on July 1, 2008, and retire on/before July 1, 2009.
2. If the qualified retiree has at least 30 years of creditable service as of July 1, 2008, eligibility for medical subsidy begins at age 55 or date of retirement, whichever is later.
3. Vested deferred members must have retired by July 1, 2008 in order to be eligible for the NHRS subsidy.

Group II Members who are (a) active or (b) retired as of June 30, 2000 who meet the following requirements are eligible for the NHRS subsidy:

1. Retire at age 45 with 20 years of service; or
2. Retire at age 60 (no service requirement); or
3. Retire on ordinary disability.

An employee who became a Group II member before July 1, 2005 and retires on Accidental Disability is eligible for NHRS subsidy. Those retiring on vested deferred retirement do not qualify for the subsidy.

## **NHRS Subsidy Benefit**

NHRS will pay the minimum of the health insurance premium or the medical subsidy amount as shown below:

Under 65 \$ 375.56  
Age 65 and over \$ 236.84

## **Spouse Benefit**

Coverage continues to surviving spouse upon death of the retiree or active employee who is eligible to retire.

## **Dental Benefit**

The monthly premium rates effective on January 1, 2021, are as shown below.

	<u>Single</u>	<u>2 - Person</u>
Delta Dental	\$ 37.06	\$ 68.52

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

Notes to Basic Financial Statements  
December 31, 2020

## Medical Benefit

Same benefit options are available to retirees as active employees. All benefit options are fully-insured and experience-rated.

The monthly premium rates by plan effective on January 1, 2021, are as shown below.

	<b>ICWUC, NEPBA, NCEU, Non- Union and SEA</b>	
	Single	2 - Person
Blue Choice (BC)	\$ 1,112.92	\$ 2,225.84
Access Blue Deductible	\$ 1,030.10	\$ 2,060.21
Access Blue Site of Service	\$ 588.15	\$ 1,176.29
Medicomp III with rx	\$ 695.34	-
Medicomp III without rx	\$ 278.09	-
Medicomp III with rx for Site of Service	\$ 672.71	-

For GASB valuation purposes:

- At retirement, 50% of employees who currently have no health care coverage are assumed to elect Access Blue Deductible plan.

## County and NHRS Subsidy Coordination

For a retiree who is eligible for the County and NHRS subsidies, the order of payment is NHRS subsidy first then the County. Retiree will then pay the remaining balance. Below is an example of the subsidy payment coordination for a Non-Union Group II retiree eligible for NHRS subsidy, enrolled in the Access Blue Deductible plan, hired before January 1, 1997, and retired with 15 years of service.

	<b>Before age 65</b>	<b>After age 65</b>
(A) Full medical premium	\$ 1,030.10	\$ 695.34
(B) Full dental premium	\$ 37.06	\$ 37.06
(C) Total premium (A) + (B)	\$ 1,067.16	\$ 732.40
(D) County subsidy %	75%	75%
(E) NHRS subsidy	\$ 375.56	\$ 236.84
(F) County subsidy (D) x [(C) - (E)]	\$ 518.70	\$ 371.67
(G) Retiree contribution (C) - (E) - (F)	\$ 172.90	\$ 123.89

## **Employees covered by benefit terms**

As of December 31, 2020 the following employees were covered by the benefit

Active employees with coverage	395
Active employees without coverage	263
Retirees with coverage	167
Total Participants covered by OPEB Plan	<u>825</u>

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

## Notes to Basic Financial Statements December 31, 2020

### Total OPEB Liability

The county's total OPEB liability of \$103,454,273 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

### Actuarial assumptions and other inputs

The actuarial assumptions used in this report represent a reasonable long-term expectation of future OPEB outcomes. As national economic and County experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

There are changes to the actuarial methods and assumptions since the last full GASB valuation, which was for the fiscal year ending December 31, 2018. Refer to Actuary's Notes section for complete information on these changes. For the current year GASB valuation, we have also updated the per capita costs. We expect to update discount rate, health care trend rates, mortality table, and per capita costs again in the next full GASB valuation, which will be for the fiscal year ending December 31, 2022.

Measurement Date	December 31, 2020	
Actuarial Valuation Date	December 31, 2020	
Discount Rate	3.26%	
Payroll Growth	2.75%	
Inflation Rate	2.75%	
Census Data	February 2021	
Healthcare Cost Trend Rates:	<u>Medical / Rx</u>	<u>Dental</u>
2021	8.00%	4.50%
2022	7.50%	4.25%
2023	7.00%	4.00%
2024	6.50%	3.75%
2025	6.00%	3.50%
2026	5.50%	3.50%
2027	5.00%	3.50%
2028	4.50%	3.50%

Mortality assumptions used were as follows:

- General Employees: SOA Pub-2010 General Headcount Weighted Table fully generational using Scale MP-2020
- Police: SOA Pub-2010 Safety Headcount Weighted Table fully generational using Scale MP-2020
- Surviving Spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Table fully generational using Scale MP-2020

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

## Notes to Basic Financial Statements December 31, 2020

### Significant Changes from the Previous Actuarial Valuation

- Measurement Date - December 31, 2020, was used versus December 31, 2018, for the prior valuation.
- Actuarial Valuation Date - December 31, 2020, with no adjustments to get to the December 31, 2020, measurement date. Liabilities as of January 1, 2020, are based on an actuarial valuation date of January 1, 2019, projected to January 1, 2020, on a "no loss / no gain" basis.
- Discount Rate – The discount rate was changed from 3.26% as of January 1, 2020, to 2.12% as of December 31, 2020.
- Payroll Growth – A 2.75% rate for wage inflation plus merit / production growth was used which is based on the General Employee and Police and Fire rates used in the New Hampshire Retirement System (NHRS) actuarial valuation as of June 30, 2020.

### Changes in the Total OPEB Liability

	Fiscal Year Ending <u>December 31,</u> <u>2020</u>
Total OPEB Liability Beginning of Year	\$ 69,453,534
Changes for the year:	
Service Cost	2,810,204
Interest	2,330,259
Changes of benefit terms	-
Changes in assumptions	26,607,504
Differences between expected and actual experience	3,832,239
Benefit payments	<u>(1,579,467)</u>
OPEB Liability End of Year	<u>\$ 103,454,273</u>

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

## Notes to Basic Financial Statements December 31, 2020

### Sensitivity of the total OPEB liability to changes in the discount rate

The following table presents the total OPEB liability calculated using a discount rate of 2.12%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point higher or one percentage point lower than was used in this valuation.

	Discount Rate		
	<u>1% Decrease</u>	<u>Baseline Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 128,246,152	\$ 103,454,273	\$ 84,991,364

### Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate

The following presents the total OPEB Liability, calculated using the assumed trend rates, as well as what the total OPEB Liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

	Healthcare Cost Trend Rates		
	<u>1% Decrease</u>	<u>Baseline Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 83,392,000	\$ 103,454,273	\$ 130,974,787

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the county recognized an OPEB expense of \$6,495,897.

As of December 31, 2020, the county reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance as of December 31, 2019	\$ 8,301,206	\$ 18,263,908
Differences between expected and actual experience	3,832,239	-
Changes in assumptions	26,607,504	
Amortization	(4,990,855)	(3,635,421)
Balance as of December 31, 2020	<u>\$ 33,750,094</u>	<u>\$ 14,628,487</u>

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

## Notes to Basic Financial Statements December 31, 2020

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ending December 31,	Deferred	
	Outflows	Deferred Inflows
2021	\$ 4,990,855	\$ 3,635,421
2022	4,990,855	3,635,421
2023	4,990,855	3,635,422
2024	4,990,855	3,635,419
2025	4,990,855	43,403
2026 to 2027	8,795,819	43,401
Total	<u>\$ 33,750,094</u>	<u>\$ 14,628,487</u>

### **B. NEW HAMPSHIRE RETIREMENT SYSTEM MEDICAL SUBSIDY OPEB PLAN**

#### **Plan description**

In addition to the OPEB plan discussed in A. above, the County participates in the New Hampshire Retirement System (NHRS) Medical Subsidy. The NHRS administers a cost-sharing, multiple-employer defined benefit postemployment medical subsidy healthcare plan. For additional information, please refer to the system's website at [www.nhrs.org](http://www.nhrs.org).

#### **Benefits**

Benefit amounts and eligibility requirements 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 I State Employees, Group I Political Subdivision Employees, Group I Teachers, and Group II Police and Firefighters. The 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. Participating employers are required by GASB No. 75 to recognize *their proportionate share* of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense of the Plan. The employer allocation is the ratio of each employer's contribution to the OPEB Plan's total employer contributions during the measurement period.

#### **Contributions**

Funding for the Medical Subsidy comes from employer contributions. Employer contribution rates are set by the NHRS pursuant to RSA 100-A:16, and the biennial actuarial valuation.

## Actuarial assumptions and other inputs

The collective total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.00%
Salary Increases	5.60%
Wage Inflation	2.75%
Investment rate of return	6.75%

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

## Significant Changes in Assumptions for the Current Year

- Reduced the assumed rate of investment return from 7.25% to 6.75%.
- Reduced wage inflation from 3.25% to 2.75%.
- Reduced price inflation from 2.5% to 2.0%.
- Updated demographic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension mortality tables).

## Proportionate Share of NHRS Net OPEB Liability

The County's proportionate share of the NHRS Medical Subsidy Net OPEB Liability as of the measurement date was \$3,081,414.



# COUNTY OF MERRIMACK, NEW HAMPSHIRE

## Notes to Basic Financial Statements December 31, 2020

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the County recognized an OPEB expense of \$(35,301). As of December 31, 2020, the County reported deferred inflows and outflows of resources related to the Net OPEB Liability from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Total exclusive of Employer Contribution</b>
Differences between expected and actual experience	\$ -	\$ 8,929	\$ (8,929)
Changes of assumptions	19,813	-	19,813
Net differences between projected and actual earnings on OPEB plan investments	11,529	-	11,529
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	46,348	(46,348)
Employer contributions subsequent to the measurement date	162,137	-	NA
<b>Total</b>	<b>\$ 193,479</b>	<b>\$ 55,277</b>	<b>\$ (23,935)</b>

Deferred outflows of resources related to OPEB benefits resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB liabilities will be recognized in pension expense as follows:

For the Year Ending December 31,	Deferred Outflows/(Inflows)
2021	\$ (12,556)
2022	(3,644)
2023	(4,345)
2024	(3,390)
<b>Total</b>	<b>\$ (23,935)</b>

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

Notes to Basic Financial Statements  
December 31, 2020

## Sensitivity of the NHRS Medical Subsidy Net OPEB liability to changes in the discount rate

The following presents the Net OPEB Liability, calculated using the discount rate as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	<u>1% Decrease</u>	<u>Baseline Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 3,346,094	\$ 3,081,414	\$ 2,851,620

## C. CONSOLIDATED COUNTY and NHRS OPEB LIABILITIES

The following consolidates the County's total OPEB liability and related deferred outflows/inflows of resources, and the County's proportionate share of the NHRS Medical Subsidy Net OPEB Liability and related deferred outflows/inflows of resources as of December 31, 2020.

	<u>OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total OPEB Expense</u>
District OPEB Plan	\$ 103,454,273	\$ 33,750,094	\$ 14,628,487	\$ 6,495,897
NHRS Medical Subsidy OPEB Plan	3,081,414	193,479	55,277	(35,301)
Total	<u>\$ 106,535,687</u>	<u>\$ 33,943,573</u>	<u>\$ 14,683,764</u>	<u>\$ 6,460,596</u>

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

## Notes to Basic Financial Statements December 31, 2020

### NOTE 13 - FUND BALANCE COMPONENTS

The County's governmental fund balance components under GASB 54 are comprised of the following:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Inventories	\$ 297,424	\$ -	\$ 297,424
Prepaid expenditures	134,079	-	134,079
Restricted:			
Federal equitable sharing	-	399	399
Dispatch reserve	-	287,967	287,967
Deeds surcharge	-	28,184	28,184
Capital project	-	3,261	3,261
Committed:			
Capital reserves	844,490	-	844,490
Fitness center	-	11,412	11,412
Timber conservation	-	105,587	105,587
Assigned:			
Unassigned:	<u>18,174,939</u>	<u>-</u>	<u>18,174,939</u>
	<u>\$ 19,450,932</u>	<u>\$ 436,810</u>	<u>\$ 19,887,742</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

## Budgetary Comparison Schedule - General Fund Year Ended December 31, 2020

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Budgetary Fund Balance - Beginning</b>	\$ 4,900,000	\$ 4,900,000	\$ 15,548,331	\$ 10,648,331
Resources (inflows):				
Assessment	47,110,883	47,110,883	47,110,883	-
Charges for services	4,798,710	4,798,710	5,764,754	966,044
Intergovernmental	212,132	212,132	221,761	9,629
Nursing home revenues	34,319,990	34,319,990	34,070,670	(249,320)
Miscellaneous	390,600	390,600	2,427,298	2,036,698
Operating transfers in	383,670	383,670	507,091	123,421
Other financing sources	275,000	275,000	284,700	9,700
<b>Total Inflows</b>	<u>87,490,985</u>	<u>87,490,985</u>	<u>90,387,157</u>	<u>2,896,172</u>
<b>Total revenues and fund balance available     for appropriations</b>	<u>92,390,985</u>	<u>92,390,985</u>	<u>105,935,488</u>	<u>13,544,503</u>
Charges to appropriations (outflows):				
Purchasing	\$ 346,571	\$ 346,571	\$ 310,060	\$ 36,511
Information technology	647,392	647,392	662,340	(14,948)
Pretrial diversion	1,203,069	1,203,069	1,060,070	142,999
Delegation	58,512	58,512	42,899	15,613
Administration	925,415	925,415	758,183	167,232
Finance	525,285	525,285	515,177	10,108
County attorney	3,347,367	3,347,367	2,866,546	480,821
Register of deeds	735,112	735,112	691,301	43,811
Court security	789,651	789,651	828,021	(38,370)
Sheriff's department	2,853,739	2,853,739	2,563,321	290,418
Dispatch	833,375	833,375	833,191	184
Gerrish Manor	1,037,362	1,037,362	946,029	91,333
Human services	15,992,488	15,992,488	15,622,909	369,579
Department of corrections	15,007,442	15,007,442	13,914,697	1,092,745
MMC facilities	3,930,787	3,930,787	3,614,809	315,978
Health agencies	453,301	453,301	453,301	-
Nursing home	35,413,017	35,413,017	33,009,611	2,403,406
Debt service	5,409,163	5,409,163	5,395,062	14,101
Capital outlay	383,670	383,670	173,610	210,060
Operating transfers out	1,176,457	1,176,457	1,226,025	(49,568)
Miscellaneous	1,321,810	1,321,810	1,841,884	(520,074)
<b>Total charges to appropriations</b>	<u>92,390,985</u>	<u>92,390,985</u>	<u>87,329,046</u>	<u>5,061,939</u>
<b>Budgetary Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,606,442</u>	<u>\$ 18,606,442</u>

See the accompanying notes to the required supplementary information.

## COUNTY OF MERRIMACK, NEW HAMPSHIRE

### Schedule of Changes in Total OPEB Liability Year Ended December 31, 2020

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB Liability Beginning of Year	\$ 78,179,135	\$ 57,211,248	\$ 69,453,534
Changes for the Year:			
Service Cost	3,122,844	2,137,999	2,810,204
Interest	2,767,554	2,409,849	2,330,259
Changes in benefit terms	-	-	-
Changes in assumptions	(9,601,853)	9,487,093	26,607,504
Differences between expected and actual experience	(15,542,272)	(347,222)	3,832,239
Benefit payments	<u>(1,714,160)</u>	<u>(1,445,433)</u>	<u>(1,579,467)</u>
Total OPEB Liability End of Year	<u>\$ 57,211,248</u>	<u>\$ 69,453,534</u>	<u>\$ 103,454,273</u>
County's covered-employee payroll	\$ 21,985,026	\$ 23,460,799	\$ 28,469,243
Total OPEB Liability as a percentage of covered payroll	260.23%	296.04%	363.39%

See the accompanying notes to the required supplementary information.

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

## Schedules of Proportionate Share and Contributions of the NHRS Net OPEB Liability Year Ended December 31, 2020

### Schedule of Proportionate Share of Net OPEB Liability New Hampshire Retirement System Medical Subsidy

<b>Fiscal Year</b>	<b>Proportion of the Net OPEB Liability</b>	<b>Proportionate Share of the Net OPEB Liability</b>	<b>Covered Payroll</b>	<b>Net OPEB as a Percentage of Covered Payroll (AAL)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Net OPEB Liability</b>
December 31, 2020	0.70398681%	\$ 3,081,414	\$ 29,017,908	11%	7.74%
December 31, 2019	0.78892189%	\$ 3,458,721	\$ 29,431,773	12%	7.75%
December 31, 2018	0.78644718%	\$ 3,600,715	\$ 29,093,392	12%	7.53%

### Schedule of Medical Subsidy Contributions New Hampshire Retirement System Medical Subsidy

<b>Fiscal Year</b>	<b>Contractually Required Contribution</b>	<b>Contributions Relative to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
December 31, 2020	\$ 326,771	\$ 326,771	\$ -	\$ 29,017,908	1.13%
December 31, 2019	\$ 360,032	\$ 360,032	\$ -	\$ 29,431,773	1.22%
December 31, 2018	\$ 347,869	\$ 347,869	\$ -	\$ 29,093,392	1.20%

Schedules are required to show information for prior 10 years. Additional years will be reported as they become available.

See the accompanying notes to the required supplementary information.

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

## Schedules of Proportionate Share and Contributions of the Net Pension Liability Year Ended December 31, 2020

### Schedule of Proportionate Share of the Net Pension Liability

#### New Hampshire Retirement System Pension Plan

<b>Fiscal Year</b>	<b>Proportion of the Net Pension Liability</b>	<b>Proportionate Share of the Net Pension Liability</b>	<b>Covered Payroll</b>	<b>Net Pension as a Percentage of Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
December 31, 2020	0.94230483%	\$ 60,271,241	\$ 29,017,908	207.70%	58.72%
December 31, 2019	1.00202762%	\$ 48,214,109	\$ 29,431,773	163.82%	65.59%
December 31, 2018	0.98645547%	\$ 47,499,828	\$ 29,093,392	163.27%	64.73%
December 31, 2017	1.04465688%	\$ 51,376,150	\$ 28,397,579	180.92%	62.66%
December 31, 2016	1.05411943%	\$ 56,053,806	\$ 26,816,143	209.03%	58.30%
December 31, 2015	1.02263631%	\$ 40,512,014	\$ 25,830,023	156.84%	65.47%
December 31, 2014	1.04998560%	\$ 39,412,110	\$ 25,582,018	154.06%	66.32%

### Schedule of Pension Contributions

#### New Hampshire Retirement System Pension Plan

<b>Fiscal Year</b>	<b>Contractually Required Contribution</b>	<b>Contributions Relative to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
December 31, 2020	\$ 4,186,114	\$ 4,186,114	\$ -	\$ 29,017,908	14.4%
December 31, 2019	\$ 4,360,640	\$ 4,291,591	\$ (69,049)	\$ 29,431,773	14.82%
December 31, 2018	\$ 4,211,113	\$ 4,169,330	\$ (41,783)	\$ 29,093,392	14.47%
December 31, 2017	\$ 3,821,109	\$ 3,827,031	\$ 5,922	\$ 28,397,579	13.46%
December 31, 2016	\$ 3,769,511	\$ 3,774,581	\$ 5,070	\$ 26,816,143	14.06%
December 31, 2015	\$ 3,432,831	\$ 3,430,824	\$ (2,007)	\$ 25,830,023	13.29%
December 31, 2014	\$ 3,403,644	\$ 3,406,396	\$ 2,752	\$ 25,582,018	13.30%

See the accompanying notes to the required supplementary information.



## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

## NOTE 1 - BUDGETARY INFORMATION

### A. Original Budget

Governmental budgetary appropriations and estimated revenues are accounted for on a fund basis in accordance with state statutes, administrative rules, local laws and policies or procedures. The budgetary process results in a formally adopted County budget by the County delegation. Subsequent regulatory reviews by departments of the State of New Hampshire are made of the budgetary process (warrant articles, required results of votes, etc.), adopted budget and the estimated revenues of the County. After approval of final estimated revenues (including the use of beginning unreserved general fund balance), a balanced County budget is achieved in accordance with State statute (the "original" budget). The original budget is the first complete, legally appropriated budget adjusted for appropriate changes occurring before the beginning of the year.

### B. Budgetary Changes, Transfers, Encumbrances and Continuing Appropriations

#### Budgetary Changes

Budget changes may be approved by the executive committee per RSA 24:14-I.

#### Transfers

The commissioners may authorize budgetary transfers between allowable appropriations per RSA 24:15-III (programs, functions or categories); however, total expenditures may not exceed the total allowable appropriations budgeted (which consists of the original budget plus encumbrances carried forward from the prior year and continuing appropriations, if any).

#### Encumbrances and Continuing Appropriations

All annual appropriations lapse at year-end unless encumbered. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are not expenditures and are reported as a reservation of fund balances in governmental funds and are carried forward to supplement appropriations of the subsequent year.

Certain appropriations that are not "annual appropriations" do not lapse at year-end. These continuing appropriations include those from special or unanticipated revenues, capital projects and specific items that are not required to have been completed at year-end. Continuing appropriations are reported as a reservation of fund balances in governmental funds and are carried forward to supplement appropriations of the subsequent year.

### C. Final Budget

The final budget consists of the original budget adjusted for appropriate legal changes applicable to the year, including those occurring during, and after, the end of the year.

# COUNTY OF MERRIMACK, NEW HAMPSHIRE

Notes to Required Supplementary Information  
December 31, 2020

## NOTE 2 - EXPLANATION OF BUDGETARY TO GAAP DIFFERENCES

### Basis and Timing Differences

The basis of accounting or the timing of transactions used or applied by the funds in the basic financial statements (fund financial statements) differs from the basis of accounting or timing of transactions used or applied by the funds for budgetary purposes. The following is an explanation of the differences between budgetary inflows and outflows and GAAP revenues and expenditures.

<u>Budgetary Fund</u>	<u>General Fund</u>
<b>Financial Statement Major Fund</b>	<b>General Fund</b>
<b>Sources / Inflows of Resources:</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 105,935,488
Differences - Budget to GAAP:	
Budgetary inflows that are not revenues for financial reporting purposes	
Beginning unreserved fund (balance) deficit	(15,548,331)
Transfers from other funds	(507,091)
Sale of County property	(284,700)
Financial reporting revenues that are not inflows for budgetary purposes	
Earnings on capital reserves	<u>833</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 89,596,199</u>
<b>Uses / Outflows of Resources:</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 87,329,046
Differences - Budget to GAAP:	
Budgetary outflows that are not expenditures for financial reporting purposes	
Transfers to other funds	<u>(1,226,025)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 86,103,021</u>

## NOTE 3 – REQUIRED GASB 75 OPEB SUPPLEMENTARY INFORMATION

The county is required to prepare its financial statements in accordance with accounting principles generally accepted in the United States. Accordingly, the county is required to disclose its obligations for post-employment benefits. In addition to pensions, these benefits include health insurance paid on behalf of retirees (County Plan) and medical subsidies to retirees paid by the NHRS (NHRS Medical Subsidy Plan). Guidance for the disclosure required is contained in Governmental Accounting Standards Board Statement No. 75 - "Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions" (GASB No. 75). No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

County OPEB Plan – The County plan as described in the notes to the financial statements is required to report as required supplementary information a **Schedule of Changes in Total OPEB Liability**. This information is required to be disclosed for the 10 most recent years. Subsequent year's information will be added as it becomes available.

NHRS Medical Subsidy OPEB Plan – The NHRS medical subsidy plan as described in the notes to financial statements is required to report as required supplementary information the following:

- **Schedule of Proportionate Share of Net OPEB Liability**
- **Schedule of Medical Subsidy Contributions**

The information presented in the *Schedule of the Proportionate Share of Net OPEB Liability* is determined as of the measurement date of the collective net OPEB liability.

The information presented in the *Schedule of Medical Subsidy Contributions* is reported as of the PLAN's most recent fiscal year-end. County contributions after the PLAN fiscal year are reported as Deferred Outflows of Resources.

This information is required to be disclosed for the 10 most recent years. Subsequent year's information will be added as it becomes available.

## NOTE 4 – GASB 68 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES

In accordance with GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, the county is required to disclose historical data for each of the prior ten years within the following schedules:

- **Schedule of the Proportionate Share of Net Pension Liability**
- **Schedule of Pension Contributions**

The information presented in the *Schedule of the Proportionate Share of Net Pension Liability* is determined as of the measurement date of the collective net pension liability.

The information presented in the *Schedule of Contributions* is reported as of the PLAN's most recent fiscal year-end. County contributions after the PLAN fiscal year are reported as Deferred Outflows of Resources.

This information is required to be disclosed for the 10 most recent years. Subsequent year's information will be added as it becomes available.

## **OTHER SUPPLEMENTARY INFORMATION**

**COUNTY OF MERRIMACK, NEW HAMPSHIRE**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2020**

<b>Assets</b>	<b>Special Revenue Funds</b>							<b>Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Federal Equitable Sharing</b>	<b>Dispatch Reserve</b>	<b>Stop School Violence</b>	<b>Deeds Surcharge</b>	<b>Fitness Center</b>	<b>Non Federal Grants</b>	<b>Timber Conservation</b>	<b>Energy Improvement and Mckenna Project</b>	
Current assets:									
Cash and cash equivalents	\$ -	\$ 292,447	\$ -	\$ 5,826	\$ 11,412	\$ -	\$ -	\$ -	\$ 309,685
Accounts receivable, net	-	-	-	-	-	2,331	-	-	2,331
Due from other governments	-	-	20,511	-	-	-	-	-	20,511
Due from other funds	399	-	-	22,358	-	-	105,587	3,261	131,605
Total assets	<u>\$ 399</u>	<u>\$ 292,447</u>	<u>\$ 20,511</u>	<u>\$ 28,184</u>	<u>\$ 11,412</u>	<u>\$ 2,331</u>	<u>\$ 105,587</u>	<u>\$ 3,261</u>	<u>\$ 464,132</u>
<b>Liabilities and Fund Balances</b>									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120
Due to other funds	-	4,480	20,391	-	-	2,331	-	-	27,202
Total liabilities	<u>-</u>	<u>4,480</u>	<u>20,511</u>	<u>-</u>	<u>-</u>	<u>2,331</u>	<u>-</u>	<u>-</u>	<u>27,322</u>
Fund Balances:									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	399	287,967	-	28,184	-	-	-	3,261	319,811
Committed	-	-	-	-	11,412	-	105,587	-	116,999
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>399</u>	<u>287,967</u>	<u>-</u>	<u>28,184</u>	<u>11,412</u>	<u>-</u>	<u>105,587</u>	<u>3,261</u>	<u>436,810</u>
Total liabilities and fund balances	<u>\$ 399</u>	<u>\$ 292,447</u>	<u>\$ 20,511</u>	<u>\$ 28,184</u>	<u>\$ 11,412</u>	<u>\$ 2,331</u>	<u>\$ 105,587</u>	<u>\$ 3,261</u>	<u>\$ 464,132</u>

**COUNTY OF MERRIMACK, NEW HAMPSHIRE**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended December 31, 2020**

	Special Revenue Funds					Capital Project Funds					Total Nonmajor Governmental Funds
	JAG Grant	Federal Equitable Sharing	Dispatch Reserve	Stop School Violence	Deeds Surcharge	Non Federal Grants	Residential Substance Abuse Treatment Grant	Timber Conservation	Energy Improvement and Mckenna Project	New Courthouse Project	
<b>Revenues</b>											
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 52,282	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,282
Intergovernmental	63,685	-	-	48,268	-	-	-	-	-	-	111,953
Miscellaneous	-	-	1,206	-	-	35,668	-	-	61	-	52,715
Operating transfers in	2,202	-	-	18,632	-	1,960	2,140	-	-	-	24,934
Total Revenues	<u>65,887</u>	<u>-</u>	<u>1,206</u>	<u>66,900</u>	<u>52,282</u>	<u>37,628</u>	<u>2,140</u>	<u>-</u>	<u>61</u>	<u>-</u>	<u>241,884</u>
<b>Expenditures</b>											
Register of deeds	-	-	-	-	42,765	-	-	-	-	-	42,765
Capital outlay	-	-	-	-	-	-	-	-	37,045	-	37,045
Operating transfers out	-	-	-	-	-	-	-	-	-	350,748	350,748
Miscellaneous	65,887	-	-	66,900	-	35,668	2,140	-	-	-	174,963
Total Expenditures	<u>65,887</u>	<u>-</u>	<u>-</u>	<u>66,900</u>	<u>42,765</u>	<u>35,668</u>	<u>2,140</u>	<u>-</u>	<u>37,045</u>	<u>350,748</u>	<u>605,521</u>
Excess (deficiency) of revenues over expenditures	-	-	1,206	-	9,517	1,960	-	-	(36,984)	(350,748)	(363,637)
Fund Balances - beginning of year	-	399	286,761	-	18,667	(1,960)	-	105,587	40,245	350,748	800,447
Fund Balance - end of year	\$ -	\$ 399	\$ 287,967	\$ -	\$ 28,184	\$ -	\$ -	\$ 105,587	\$ 3,261	\$ -	\$ 436,810

**COUNTY OF MERRIMACK, NEW HAMPSHIRE**

**Combining Statement of Net Position  
Fiduciary Funds  
December 31, 2020**

	Private Purpose Trust Funds			Agency Funds				
	McKenna Trust	Corrections Trust	Gagnon Scholarship Trust	Residents Fund	Inmates Fund	Adult Diversion \\ Restitution	Deeds Transfer Tax	Total Fiduciary Funds
<b>Assets</b>								
Cash and cash equivalents	\$ 104,789	\$ 117,890	\$ 297	\$ 140,464	\$ 33,072	\$ -	\$ 2,201,078	\$ 2,597,590
Receivables, net	-	2,570	-	-	-	337,566	-	340,136
Due from other funds	-	-	-	-	-	5,435	-	5,435
	<u>104,789</u>	<u>120,460</u>	<u>297</u>	<u>140,464</u>	<u>33,072</u>	<u>343,001</u>	<u>2,201,078</u>	<u>2,943,161</u>
Total Assets								
<b>Liabilities</b>								
Accounts payable	-	5,057	-	-	-	5,435	208,660	219,152
Due to other governments	-	-	-	-	-	-	1,992,418	1,992,418
Due to other funds	33,710	22,547	-	-	-	-	-	56,257
Other liabilities	-	-	-	140,464	33,072	337,566	-	511,102
Total liabilities	<u>33,710</u>	<u>27,604</u>	<u>-</u>	<u>\$ 140,464</u>	<u>\$ 33,072</u>	<u>\$ 343,001</u>	<u>\$ 2,201,078</u>	<u>2,778,929</u>
<b>Net Position</b>								
Held in trust	<u>71,079</u>	<u>92,856</u>	<u>297</u>					<u>164,232</u>
Total net position	<u>\$ 71,079</u>	<u>\$ 92,856</u>	<u>\$ 297</u>					<u>\$ 164,232</u>



**FEDERAL AWARDS SUPPLEMENTARY INFORMATION**

# ROBERGE AND COMPANY, P.C.

## Certified Public Accountants

Member – American Institute of CPA's (AICPA)  
Member – AICPA Government Audit Quality Center (GAQC)  
Member – AICPA Private Company Practice Section (PCPS)  
Member – New Hampshire Society of CPA's

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

To the Board of Commissioners  
County of Merrimack  
Boscawen, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Merrimack, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County of Merrimack's basic financial statements, and have issued our report thereon dated May 10, 2021.

#### **Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Roberge and Co., P.C.*

## **ROBERGE & COMPANY, P.C.**

Franklin, New Hampshire  
May 10, 2021

# ROBERGE AND COMPANY, P.C.

## Certified Public Accountants

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

To the Board of Commissioners  
County of Merrimack  
Boscawen, New Hampshire

#### **Report on Compliance for Each Major Federal Program**

We have audited the County of Merrimack's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Merrimack's major federal programs for the year ended December 31, 2020. The County of Merrimack's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County of Merrimack's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Merrimack's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of Merrimack's compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, the County of Merrimack, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

## Report on Internal Control Over Compliance

Management of the County of Merrimack is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Merrimack's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Merrimack's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Roberge and Co., P.C.*

**ROBERGE & COMPANY, P.C.**

Franklin, New Hampshire  
May 10, 2021

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**COUNTY OF MERRIMACK, NEW HAMPSHIRE**

**Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2020**

Federal Grantor / Pass-Through Grantor Program or Cluster Title	Federal CFDA #	Pass Through ID #	Expenditures of Federal Awards	Expenditures To Subrecipients
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>Direct</i>				
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0177	58,008	-
<i>Passed Through the NH Attorney General's Office</i>				
Services for Trafficking Victims	16.320	20BJAHT03	83,088	-
Crime Victim Assistance	16.575	2021VOC41	42,331	-
Crime Victim Assistance	16.575	2020VOC41	57,890	-
Crime Victim Assistance	16.575		3,299	-
Crime Victim Assistance	16.575		9,055	-
Crime Victim Assistance	16.575	OVC FY19 VOCA	2,289	-
			114,864	-
Violence Against Women Formula Grants	16.588	2020VAW08	30,000	-
Residential Substance Abuse Treatment for State Prisoners	16.593	2020RSA02	35,000	-
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	2018-DJ-BX-0135	12,226	-
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	2018-DJ-BX-0135	3,065	-
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	2021DTF07	2,245	-
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	2021DTF07	52,589	-
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	2020DTF07	51,986	-
			122,111	-
STOP School Violence	16.839	2018-YS-BX-0124	48,268	-
<i>Passed Through the NH Department of Safety</i>				
National Priority Safety Programs	20.616	20-226	8,289	-
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<b>499,628</b>	<b>-</b>
<b>U.S. DEPARTMENT OF THE TREASURY</b>				
<i>Passed Through the NH Governor's Office</i>				
COVID-19 - Coronavirus Relief Fund	21.019	177435-B009	885,850	-
COVID-19 - Coronavirus Relief Fund	21.019		2,055,900	-
COVID-19 - Coronavirus Relief Fund	21.019		49,634	-
COVID-19 - Coronavirus Relief Fund	21.019		336,729	-
<b>TOTAL U.S. DEPARTMENT OF THE TREASURY</b>			<b>3,328,113</b>	<b>-</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through the NH Department of Public Health Services</i>				
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	SS-2021-DPHS-11-LONGT-08	324,000	-
<i>Passed Through the NH Department of Health and Human Services</i>				
Grants to States for Access and Visitation Programs	93.597	2018-DCSS-01-ACCES	28,624	-
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>352,624</b>	<b>-</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<i>Direct</i>				
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		369,115	-
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<b>369,115</b>	<b>-</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 4,549,480</b>	<b>\$ -</b>

See accompanying notes to schedule of expenditures of federal awards.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



# COUNTY OF MERRIMACK

## Notes to Schedule of Expenditures of Federal Awards December 31, 2020

### 1. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal award activity of the County of Merrimack under programs of the federal government for the year ended December 31, 2020. The County of Merrimack's reporting entity is defined in Note 1 to the County's basic financial statements. The information in the Schedule of Expenditures of Federal Awards is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Expenditures of Federal Awards presents only a selected portion of the operations of the County of Merrimack and is not intended to and does not present the financial position or changes in net position of the County of Merrimack.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting within the governmental funds (general and special revenue) of the County. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The expenditures reported in the Schedule of Expenditures of Federal Awards are recognized following the applicable cost principles of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and include, but are not limited to, expenditure transactions associated with grants, cost reimbursement grants and contracts, and the receipt or use of program income.

The County of Merrimack has not elected to use the ten percent (10%) de minimis indirect cost rate allowed under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

### 3. RELATIONSHIP AND RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

The total expenditures of federal awards per the accompanying schedule of expenditures of federal awards reconciles to the Statement of Revenues, Expenditures and Changes in Fund Balances – Major and Other Governmental Funds as follows:

<b>Schedule of Expenditures of Federal Awards</b>	<u>\$ 4,549,480</u>
<b>Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	
<b>Major Fund</b>	
Federal Grants Fund	\$ 6,103,984
Provider Relief Funds required to be reported on SEFA in 2021	(1,465,893)
General Fund Nonfederal Subsidy	(201,093)
<b>Nonmajor Funds</b>	
Stop School Violence Fund	66,900
General Fund Nonfederal Subsidy	(18,631)
JAG Grant Fund	65,887
General Fund Nonfederal Subsidy	(1,674)
	<u>\$ 4,549,480</u>

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Financial Statements**

The type of auditor's report issued – Unmodified – All Reporting Units

Internal control over financial reporting:

- Material weaknesses identified – No.
- Significant deficiencies identified – No.
- Noncompliance material to financial statements noted? – No.

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified – No.
- Significant deficiencies identified – No.

Type of auditor's report issued on compliance for major programs – Unmodified.

Are there any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 2 CFR 200.516 Audit Findings – No.

Identification of major programs:

- CFDA # 21.019 – COVID-19 – Coronavirus Relief Fund

Dollar Threshold used to distinguish between type A and type B Programs - \$750,000.

Auditee qualified as a low-risk auditee – No.

There were no findings relating to the financial statements required to be reported by standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Schedule of Findings and Questioned Costs  
3 – Federal Award Findings and Questioned Costs  
December 31, 2020**

There were no findings or questioned costs required to be reported under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 2 CFR 200.516 Audit Findings.