



**Bill Fraher, CPA**

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**TOWN OF MERRIMAC, MASSACHUSETTS**

Basic Financial Statements, Required Supplementary  
Information and Supplementary Information

Year ended June 30, 2020  
(Except for the Electric Enterprise Fund  
which is December 31, 2019)

(With Independent Auditor's Report Thereon)

# TOWN OF MERRIMAC, MASSACHUSETTS

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## **Independent Auditor's Report**

The Honorable Board of Selectmen  
Town of Merrimac, Massachusetts:

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Merrimac, Massachusetts, as of and for the year ended June 30, 2020 (except for the electric enterprise fund which is December 31, 2019), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the Electric Enterprise Fund, which is both a major fund and represents 43% of total assets, 49% of net position and 66% of revenues of business type activities of the Town of Merrimac. Those financial statements have been audited by other auditors whose report has been furnished to me, and my opinion on the general-purpose financial statements, insofar as it relates to the amounts included for the Electric Enterprise Fund, is based solely on the report of the other auditors.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of a 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 Town'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 Town's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinions**

In my opinion, based on my audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type

activities, each major fund, and the aggregate remaining fund information of the Town of Merrimac, Massachusetts, as of June 30, 2020 (except for the electric enterprise fund which is December 31, 2019), and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity 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 on pages 5 through 12 and the pension and OPEB on pages 48 through 50 be presented be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Auditing 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. I 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 regarding 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 obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Merrimac's financial statements as a whole. The combining fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated June 1, 2021 on my consideration of the Town of Merrimac's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Bill Fraher, CPA  
June 1, 2021



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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***

The Honorable Board of Selectmen  
Town of Merrimac, Massachusetts

I have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Merrimac, Massachusetts, as of and for the year ended June 30, 2020 (except for the electric enterprise fund which is December 31, 2019), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued my report thereon dated June 1, 2021.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Merrimac's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Merrimac'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Town's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain other matters that I reported to management of the Town of Merrimac, Massachusetts, in a separate letter dated June 1, 2021.

This report is intended solely for the information and use of the Board of Selectmen, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'Bill Fraher', with a stylized flourish at the end.

Bill Fraher, CPA  
June 1, 2021

**Town of Merrimac, Massachusetts**  
**Management's Discussion and Analysis**  
**(Required Supplementary Information)**  
**June 30, 2020**

As management for the Town of Merrimac, we offer the readers of our financial statements this overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the Town's financial statements, which begin on page 13.

**Financial Highlights of Fiscal Year 2020 (July 1, 2019 – June 30, 2020)**

- The Town's assets exceeded its liabilities at the close of FY2020 by \$29,839,046 (net position) as compared with \$29,047,537 at June 30, 2019. Of the amount at June 30, 2020, \$(3,167,494) is considered unrestricted (negative unrestricted net position), as compared to \$(3,040,624) last year. The unrestricted net position of the Town's governmental activities is \$(5,359,339) and represents liabilities and deferred inflows exceeding assets and deferred outflows and is mostly due to the net pension and OPEB liabilities. The unrestricted net position of business-type activities is \$2,191,845 and may be used to meet the obligations of the Town's Light, Water and Sewer departments.
- The total cost of all town services for Fiscal Year 2020 was \$25,411,809, as compared to \$23,796,333 last year, or an increase of \$1,615,476 or 6.8%. Of the total cost of services, \$18,564,217 was spent on governmental activities (compared to \$16,424,387 last year) and an additional \$6,847,592 was spent on business type activities consisting of the light, water and sewer departments (compared to \$7,371,946 last year).
- At June 30, 2020, the Town's governmental funds reported a combined ending fund balance of \$6,537,356, up 115% from \$3,036,676 at June 30, 2019, due to positive results in the general special revenue and capital projects funds. A total of \$1,996,894 of general fund balance is considered unassigned at June 30, 2020.
- The Town's total bonded indebtedness is \$12,590,281, up from \$5,348,352 last year due to capital projects borrowing. The Town also shows a liability of \$2,271,926 for Other Post-Employment Benefits (retiree health insurance), \$778,920 for capital lease payable, \$285,000 for landfill post closure care costs, \$331,478 for compensated absences and \$10,577,279 for the net pension liability. The Town also has an unamortized bond premium of \$664,758.
- The Town has additional overlapping debt of \$18,323,609 for the Town's share (30.2%) of the Pentucket Regional School District.
- The Town's bond rating is AA+.

**Overview of the Financial Statements:**

The discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

**Town of Merrimac, Massachusetts**  
Management's Discussion and Analysis  
(Required Supplementary Information)  
June 30, 2020

**Government-wide financial statements:** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Merrimac, Massachusetts' finances in a manner similar to a private sector business.

The *statement of net position* presents information on all of the Town's assets, deferred outflows, liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving.

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

The government-wide financial statements have separate columns for government activities and business-type activities. The Town's activities are classified as follows:

- **Governmental Activities** – Activities reported here include education, public safety, public works, library and general administration. Property taxes, motor vehicle excise taxes, federal, state and other local revenues finance these activities.
- **Business-type Activities** – Activities reported here are for electric light department, water department and the sewer department operations. User fees charged to the customers receiving services finance these services.

**Fund financial statements:** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Merrimac, Massachusetts, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Merrimac, Massachusetts can be divided into three categories; government funds, proprietary funds and fiduciary funds.

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

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



**Town of Merrimac, Massachusetts**  
**Management's Discussion and Analysis**  
**(Required Supplementary Information)**  
**June 30, 2020**

**Proprietary funds:** The Town of Merrimac, Massachusetts now maintains three proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Merrimac, Massachusetts uses enterprise funds to account for its Electric Light, Water and Sewer Departments.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

**Fiduciary funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is like that used for proprietary funds.

#### **Reconciliation of Government-wide Financial Statements to Fund Financial Statements**

The government activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Capital assets and long-term liabilities are not included on the balance sheet of the governmental funds, but are included on the statement of net position. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements. We have included schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the Governmental funds balance sheet – total fund balances to the statement of net position.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of governmental funds to the statement of activities.

The reconciliation of government-wide financial statements to enterprise funds of the fund financial statements is not necessary. The business-type activities of the government-wide financial statements and the enterprise funds use the same accounting basis and measurement focus.

#### **Financial Analysis of the Government-wide Financial Statements**

Net position may serve over time as a useful indicator of a government's financial position. However, the net position of governmental activities should be viewed independently from business-type activities. Resources of the governmental activities are not used to finance costs related to business-type activities. Revenues of the business-type activities are used to finance the operations of the Light, Water and Sewer Enterprise Funds. The following table reflects the condensed net position.

**Town of Merrimac, Massachusetts**  
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**Town of Merrimac's Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Current and other assets	\$ 7,587,192	\$ 8,202,634	\$ 8,919,881	\$ 9,506,489	\$ 16,507,073	\$ 17,709,123
Capital assets	\$ 18,324,302	\$ 23,230,977	\$ 16,864,900	\$ 16,725,673	\$ 35,189,202	\$ 39,956,650
<b>Total assets</b>	<b>\$ 25,911,494</b>	<b>\$ 31,433,611</b>	<b>\$ 25,784,781</b>	<b>\$ 26,232,162</b>	<b>\$ 51,696,275</b>	<b>\$ 57,665,773</b>
<b>Deferred Out Flows of Resources</b>						
Deferred amounts related to pensions and OPEB	\$ 749,315	\$ 749,315	\$ 548,054	\$ 643,741	\$ 1,297,369	\$ 1,393,056
Current liabilities	\$ 4,365,147	\$ 1,719,194	\$ 876,884	\$ 723,608	\$ 5,242,031	\$ 2,442,802
Long term liabilities	\$ 10,143,517	\$ 18,766,183	\$ 7,910,156	\$ 7,571,729	\$ 18,053,673	\$ 26,337,912
<b>Total Liabilities</b>	<b>\$ 14,508,664</b>	<b>\$ 20,485,377</b>	<b>\$ 8,787,040</b>	<b>\$ 8,295,337</b>	<b>\$ 23,295,704</b>	<b>\$ 28,780,714</b>
<b>Deferred Inflows of Resources</b>						
Deferred amounts related to pensions and OPEB	\$ 265,515	\$ 548,959	\$ 384,888	\$ 201,329	\$ 650,403	\$ 750,288
<b>Net Position:</b>						
Invested in capital, net of related debt	\$ 15,128,805	\$ 13,730,967	\$ 12,550,231	\$ 12,856,482	\$ 27,679,036	\$ 26,587,449
Restricted	\$ 1,592,008	\$ 3,088,181	\$ 2,817,117	\$ 3,330,910	\$ 4,409,125	\$ 6,419,091
Unrestricted	\$ (4,834,183)	\$ (5,359,339)	\$ 1,793,559	\$ 2,191,845	\$ (3,040,624)	\$ (3,167,494)
<b>Total Net Position</b>	<b>\$ 11,886,630</b>	<b>\$ 11,459,809</b>	<b>\$ 17,160,907</b>	<b>\$ 18,379,237</b>	<b>\$ 29,047,537</b>	<b>\$ 29,839,046</b>
<b>Change in Net Position from 2018 to 2019</b>	<b>\$ (426,821)</b>		<b>\$ 1,218,330</b>		<b>\$ 791,509</b>	

The Town's assets exceeded liabilities by \$29,839,046 at the close of the most recent fiscal year.

Major changes to the statement of net position are as follows. Capital assets increased mainly due to the police station project. Current Liabilities decreased primarily due Police Station Construction BAN payoff, while long term liabilities increased due to long term bonding. Restricted net position increased due to capital project balances.

The largest portion of the Town's total net position (89.1%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The Town uses capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources to repay debt must be provided from other sources, since capital assets themselves, cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (21.5%) represents resources that are subject to restrictions placed on how they may be used by parties external to the Town. The remaining -10.6% of total net position represents the fact that the Town's liabilities and deferred inflows exceed Town assets and deferred outflows. It is important to note that although the total unrestricted net position is \$-3,167,494, the positive unrestricted net position of the Town's business-type activities, \$2,191,845, may not be used to fund governmental activities.

At the end of the current fiscal year, the Town is able to report positive balances in two of the three categories of net position for the government as a whole, and for all three categories of net position for its business-type activities. The government's total position increased by \$791,509 during the current fiscal

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year, governmental activities total position decreased by \$426,821 while the business activities total position increased by \$1,218,330 mostly due to the light department.

**Changes in Net Position**

The following condensed financial information was derived from the government-wide Statement of Net Position. It reflects how the Town's net position have changed during Fiscal Year 2020.

Town of Merrimac's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
<b>Revenues:</b>						
Program revenues:						
Charges for Services	\$ 927,856	\$ 799,039	\$ 7,547,152	\$ 7,414,735	\$ 8,475,008	\$ 8,213,774
Operating Grants and Contributions	\$ 501,508	\$ 1,080,242			\$ 501,508	\$ 1,080,242
Capital Grants and Contributions	\$ 289,479	\$ 375,077			\$ 289,479	\$ 375,077
General Revenues:						
Property Taxes	\$ 13,077,629	\$ 13,734,282			\$ 13,077,629	\$ 13,734,282
Excise Taxes	\$ 1,027,211	\$ 914,991			\$ 1,027,211	\$ 914,991
Other	\$ 1,154,770	\$ 1,233,765	\$ 12,348	\$ 651,187	\$ 1,167,118	\$ 1,884,952
<b>Total Revenues and Transfers</b>	<b>\$ 16,978,453</b>	<b>\$ 18,137,396</b>	<b>\$ 7,559,500</b>	<b>\$ 8,065,922</b>	<b>\$ 24,537,953</b>	<b>\$ 26,203,318</b>
<b>Expenses:</b>						
General Government	\$ 1,409,944	\$ 2,158,301			\$ 1,409,944	\$ 2,158,301
Public Safety	\$ 2,723,893	\$ 3,631,576			\$ 2,723,893	\$ 3,631,576
Education	\$ 9,408,670	\$ 9,721,028			\$ 9,408,670	\$ 9,721,028
Public Works	\$ 1,521,112	\$ 1,618,172			\$ 1,521,112	\$ 1,618,172
Health & Human Services	\$ 671,701	\$ 675,834			\$ 671,701	\$ 675,834
Recreation and Culture	\$ 580,036	\$ 510,856			\$ 580,036	\$ 510,856
Interest on Debt Service	\$ 109,031	\$ 248,450			\$ 109,031	\$ 248,450
Water			\$ 1,073,046	\$ 1,225,112	\$ 1,073,046	\$ 1,225,112
Sewer			\$ 1,299,758	\$ 1,084,730	\$ 1,299,758	\$ 1,084,730
Electric			\$ 4,999,142	\$ 4,537,750	\$ 4,999,142	\$ 4,537,750
<b>Total Expenses</b>	<b>\$ 16,424,387</b>	<b>\$ 18,564,217</b>	<b>\$ 7,371,946</b>	<b>\$ 6,847,592</b>	<b>\$ 23,796,333</b>	<b>\$ 25,411,809</b>
<b>Change in Net Assets</b>	<b>\$ 554,066</b>	<b>\$ (426,821)</b>	<b>\$ 187,554</b>	<b>\$ 1,218,330</b>	<b>\$ 741,620</b>	<b>\$ 791,509</b>
<b>Net Assets - Beginning of Year, as revised</b>	<b>\$ 11,332,564</b>	<b>\$ 11,886,630</b>	<b>\$ 16,973,353</b>	<b>\$ 17,160,907</b>	<b>\$ 28,305,917</b>	<b>\$ 29,047,537</b>
<b>Net Assets - End of Year</b>	<b>\$ 11,886,630</b>	<b>\$ 11,459,809</b>	<b>\$ 17,160,907</b>	<b>\$ 18,379,237</b>	<b>\$ 29,047,537</b>	<b>\$ 29,839,046</b>
<b>% of Increase</b>		<b>-3.59%</b>		<b>7.10%</b>		<b>2.72%</b>

**Government Activities** – Governmental activities net position decreased by \$426,821 or 3.59% during 2020. A summary of revenues and major functional expenditures is presented above. Tax revenues increased due to the usual property offset by an excise tax decrease due in part to registry timing and normal fluctuations year to year. Operating grants and contributions increased due to COVID-19 and other grants. There were several larger changes to expenses, primarily increases in general government and public safety expenses due to an increase in grants, projects and bond issue costs.

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**Management's Discussion and Analysis**  
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**June 30, 2020**

**Business-type Activities** – Business-type activities net position increased by \$1,218,330 or 7.1% during Fiscal Year 2020. Positive operating results for electric is the primary reason for the increase in business-type activities net assets.

**Financial Analysis of Governmental Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** - The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2020, the Town's governmental funds reported combined ending fund balances of \$6,537,356, an increase of \$3,500,680 from the prior year. \$1,996,894 of this amount constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is assigned, or restricted to indicate it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period; continued appropriations for capital outlay and improvement purposes; non-expendable permanent fund balances; and other purposes per detail on page 38.

The general fund is the chief operating fund of the Town. At June 30, 2020, unassigned fund balance of the general fund was \$1,996,894, of which \$1,389,627 relates to the Stabilization Fund. An additional \$1,360,495 was assigned for continued appropriations, making general fund total fund balance of \$3,357,389. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures (including transfers to other funds). Unassigned fund balance represents 12.2% of total general fund expenditures, while total fund balance represents 20.5% of the same amount.

**Fund Balance Trends**

The total general fund balance of the Town increased by \$471,570, or 16.3%, during fiscal year 2020. The major reason for this increase was positive operating results. On a budgetary basis, general fund actual expenditures were \$630,326 lower than budgeted while actual revenues were \$248,735 lower than budgeted, mainly due to an increase in taxes receivable, due in part to COVID.

Total fiscal year 2020 general fund revenues and transfers from other funds totaled \$16,821,000, an increase of \$893,808 or 5.61% over the previous fiscal year as shown in the following chart, due in part to the normal budgetary increase and an increase in Town Meeting approved transfers.

**Town of Merrimac, Massachusetts**  
**Management's Discussion and Analysis**  
**(Required Supplementary Information)**  
**June 30, 2020**

**Town of Merrimac Revenue Changes**

Source	FY2019 Amount	% of Total	FY2020 Amount	Increase/ (Decrease)	% Change
Real Estate and Personal Property Tax	\$ 13,030,298	81.50%	\$ 13,542,271	\$ 511,973	3.93%
Motor Vehicle Excise	\$ 1,008,645	6.50%	\$ 934,929	\$ (73,716)	-7.31%
Intergovernmental	\$ 1,011,281	6.50%	\$ 1,057,578	\$ 46,297	4.58%
Departmental and other revenue	\$ 736,241	5.20%	\$ 733,652	\$ (2,589)	-0.35%
Investment Income	\$ 116,327	0.10%	\$ 125,491	\$ 9,164	7.88%
<b>Total Revenues</b>	<b>\$ 15,902,792</b>	<b>99.80%</b>	<b>\$ 16,393,921</b>	<b>\$ 491,129</b>	<b>3.09%</b>
<b>Transfers from other funds</b>	<b>\$ 24,400</b>	<b>0.20%</b>	<b>\$ 427,079</b>	<b>\$ 402,679</b>	<b>1650.32%</b>
<b>Total revenue and transfers from other funds</b>	<b>\$ 15,927,192</b>	<b>100.00%</b>	<b>\$ 16,821,000</b>	<b>\$ 893,808</b>	<b>5.61%</b>

Property tax growth generally represents a combination of the 2.5% annual increase allowed in the levy under Proposition 2 ½ and new growth, offset by an increase in delinquent taxes. In recognizing property tax revenue due to the favorable settlement of personal property tax abatement cases in excess of accrued refunds, as well as accruals and tax levy usage, real estate and personal property tax revenue increased 3.93%. Excise taxes decreased in part due to timing of bills from the registry of motor vehicles and normal year to year fluctuations.

Total general fund expenditures and transfers to other funds totaled \$16,349,430 an increase of \$566,310 or 3.6% over the previous fiscal year as shown in the following chart.

**Town of Merrimac Expenditure Changes**

Function	FY2019 Amount	% of Total	FY2020 Amount	Increase/ (Decrease)	% Change
General Government	\$ 820,861	5.2%	\$ 922,143	\$ 101,282	12.3%
Public Safety	\$ 2,100,290	13.3%	\$ 1,937,731	\$ (162,559)	-7.7%
Education	\$ 9,192,063	58.2%	\$ 9,504,710	\$ 312,647	3.4%
Public Works	\$ 1,257,948	8.0%	\$ 1,351,657	\$ 93,709	7.4%
Human Services	\$ 456,892	2.9%	\$ 490,963	\$ 34,071	7.5%
Recreation and Culture	\$ 302,167	1.9%	\$ 311,450	\$ 9,283	3.1%
Intergovernmental	\$ 97,339	0.6%	\$ 104,602	\$ 7,263	7.5%
Employee Benefits	\$ 955,621	6.1%	\$ 966,774	\$ 11,153	1.2%
Other	\$ 102,711	0.7%	\$ 120,097	\$ 17,386	16.9%
Debt Service	\$ 497,228	3.2%	\$ 639,303	\$ 142,075	28.6%
<b>Total Expenditures</b>	<b>\$ 15,783,120</b>	<b>100.0%</b>	<b>\$ 16,349,430</b>	<b>\$ 566,310</b>	<b>3.6%</b>
<b>Transfers to other funds</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>#DIV/0!</b>
<b>Total expenses and transfers to other funds</b>	<b>\$ 15,783,120</b>	<b>100.0%</b>	<b>\$ 16,349,430</b>	<b>\$ 566,310</b>	<b>3.6%</b>

Significant changes are discussed below.

**Town of Merrimac, Massachusetts**  
**Management's Discussion and Analysis**  
**(Required Supplementary Information)**  
**June 30, 2020**

Increases in expenditures in fiscal year 2020 are due primarily to contractual wage and salary increases and an increase in special articles voted by Town Meeting.

**Proprietary fund** - The Town's proprietary fund provides the same information found in the government-wide statements, but in slightly more detail. Unrestricted net position of the Water Fund amounted to \$191,931, a decrease of \$137,167. Unrestricted net position of the Sewer Fund amounted to \$1,113,697, an increase of \$53,624. Unrestricted net position of the Electric Fund amounted to \$886,217, an increase of \$481,829. For all funds, customer rates and other revenues were sufficient to cover current year costs.

### **General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget was due to Special Town Meeting Action to several areas amounting to a \$361,529 decrease to net changes in budgetary fund balances. This was due mostly to the use of available funds for capital items and stabilization transfers.

**Long term debt** – At June 30, 2020 the Town had total bonded debt outstanding of \$12,590,281, \$8,865,000 for governmental activities and \$3,725,281 for business-type activities. All debt issues are general obligations of the Town, although Water, Sewer and Light debt service payments are made from the resources of the enterprise fund. Additional information on the Town's long-term debt can be found in Note 8 to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates:**

- According to the Bureau of Labor Statistics, the unemployment rate for the Town for April 2021 was 5.0%, although considerably higher than normal due to COVID, compares favorably with state and national unemployment rate.
- According to the U. S. Department of Commerce Census Bureau, the median household income for the Town for 2019 was \$95,373 the per capita income for Massachusetts for the same time was \$85,843. This compares favorably with both state and national incomes.
- According to the Town's Board of Assessors the average 2020 single family home in Merrimac is valued at \$428,433. All properties compare favorably with state and national property values.

The Town's Unrestricted Local Aid increased by Departmental Revenue 2.7% in FY2021, it is expected to increase by 3.5% in FY2022. The Town still is forced to rely increasingly on real estate taxes to fund the budget.

Most contracts within the Town and the school district have been negotiated, with increases that are in line with the current economy.

### **Contacting the Town's Financial Management**

This financial report is designed to provide residents, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office at 4 School Street, Merrimac, Massachusetts.



**TOWN OF MERRIMAC, MASSACHUSETTS**

## Statement of Net Position

June 30, 2020

(Electric Business-Type Activity is as of December 31, 2019)

	Governmental Activities	Business-Type Activities	Total
<b><u>Assets</u></b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 5,384,819	4,563,286	9,948,105
Investments	1,452,924	2,701,660	4,154,584
Receivables (net of allowance for uncollectibles)	889,515	1,789,527	2,679,042
Due from commonwealth	475,376	-	475,376
Other assets	-	357,262	357,262
<b>Total current assets</b>	<b>8,202,634</b>	<b>9,411,735</b>	<b>17,614,369</b>
<b>Noncurrent assets:</b>			
Cash and cash equivalents - restricted	-	94,754	94,754
Due from commonwealth	-	-	-
Capital assets not being depreciated	9,305,686	435,079	9,740,765
Capital assets being depreciated, net	13,925,291	16,290,594	30,215,885
<b>Total noncurrent assets</b>	<b>\$ 23,230,977</b>	<b>16,820,427</b>	<b>40,051,404</b>
<b>Total assets</b>	<b>31,433,611</b>	<b>26,232,162</b>	<b>57,665,773</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred amounts related to pensions	999,578	636,632	1,636,210
Deferred amounts related to OPEB	60,956	7,109	68,065
<b>Total deferred outflows</b>	<b>1,060,534</b>	<b>643,741</b>	<b>1,704,275</b>
<b><u>Liabilities</u></b>			
<b>Current liabilities:</b>			
Warrants and accounts payable	\$ 692,266	67,952	760,218
Accrued payroll	182,615	34,212	216,827
Other accrued liabilities	-	94,754	94,754
Accrued interest payable	97,944	53,934	151,878
Accrued compensated absences	83,604	51,780	135,384
Landfill postclosure care costs	15,000	-	15,000
Capital leases payable	135,370	26,170	161,540
Unamortized bond premium	57,395	-	57,395
Bonds payable	455,000	394,806	849,806
<b>Total current liabilities</b>	<b>1,719,194</b>	<b>723,608</b>	<b>2,442,802</b>
<b>Noncurrent liabilities:</b>			
Landfill postclosure care costs	270,000	-	270,000
Accrued compensated absences	142,319	53,775	196,094
Other post-employment benefits	1,944,685	327,241	2,271,926
Capital leases payable	499,640	117,740	617,380
Net pension liability	6,834,781	3,742,498	10,577,279
Unamortized bond premium	664,758	-	664,758
Bonds payable	8,410,000	3,330,475	11,740,475
<b>Total noncurrent liabilities</b>	<b>18,766,183</b>	<b>7,571,729</b>	<b>26,337,912</b>
<b>Total liabilities</b>	<b>20,485,377</b>	<b>8,295,337</b>	<b>28,780,714</b>
<b><u>Deferred Inflows of Resources</u></b>			
Deferred amounts related to pensions	435,906	191,218	627,124
Deferred amounts related to OPEB	113,053	10,111	123,164
<b>Total deferred inflows</b>	<b>548,959</b>	<b>201,329</b>	<b>750,288</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	13,730,967	12,856,482	26,587,449
<b>Restricted for:</b>			
Perpetual funds - nonexpendable	367,117	-	367,117
Perpetual funds - expendable	157,319	-	157,319
Capital projects and depreciation	-	3,330,910	3,330,910
Other specific purposes	2,563,745	-	2,563,745
<b>Unrestricted</b>	<b>(5,359,339)</b>	<b>2,191,845</b>	<b>(3,167,494)</b>
<b>Total net position</b>	<b>\$ 11,459,809</b>	<b>18,379,237</b>	<b>29,839,046</b>

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

**TOWN OF MERRIMAC, MASSACHUSETTS**

## Statement of Activities

For the Year Ended June 30, 2020

(Electric Business-Type Activity is for the year ended December 31, 2019)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities:							
General government	\$ 2,158,301	174,596	636,377	-	(1,347,328)	-	(1,347,328)
Public safety	3,631,576	454,110	149,799	-	(3,027,667)	-	(3,027,667)
Education	9,721,028	-	30,494	-	(9,690,534)	-	(9,690,534)
Public works	1,618,172	163,043	34,493	375,077	(1,045,559)	-	(1,045,559)
Human services	675,834	7,290	181,875	-	(486,669)	-	(486,669)
Recreation and culture	510,856	-	47,204	-	(463,652)	-	(463,652)
Interest on debt service	248,450	-	-	-	(248,450)	-	(248,450)
Total governmental activities	18,564,217	799,039	1,080,242	375,077	(16,309,859)	-	(16,309,859)
Business-type activities:							
Water	1,225,112	1,327,521	-	-	-	102,409	102,409
Sewer	1,084,730	1,227,998	-	-	-	143,268	143,268
Electric	4,537,750	4,859,216	-	-	-	321,466	321,466
Total business-type activities	6,847,592	7,414,735	-	-	-	567,143	567,143
Total government	\$ 25,411,809	8,213,774	1,080,242	375,077	(16,309,859)	567,143	(15,742,716)
General revenues:							
Property taxes					\$ 13,734,282	-	13,734,282
Excise taxes					914,991	-	914,991
Payments in lieu of taxes					1,289	-	1,289
Intergovernmental					929,908	-	929,908
Unrestricted investment earnings					125,512	212,324	337,836
Miscellaneous					155,918	460,004	615,922
Transfers in (out)					21,138	(21,141)	(3)
Total general revenues and transfers					15,883,038	651,187	16,534,225
Changes in net position					(426,821)	1,218,330	791,509
Net position - beginning of year					11,886,630	17,160,907	29,047,537
Net position - end of year					\$ 11,459,809	18,379,237	29,839,046

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

**TOWN OF MERRIMAC, MASSACHUSETTS****Balance Sheet - Governmental Funds**

June 30, 2020

	<u>General Fund</u>	<u>Police Station Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 2,365,782	739,653	2,279,384	5,384,819
Investments	1,008,525	-	444,399	1,452,924
Receivables:				
Property taxes	331,837	-	-	331,837
Tax liens	372,112	-	-	372,112
Motor vehicle excise	116,126	-	-	116,126
Departmental	94,277	-	1,305	95,582
Less: allowance for uncollectible accounts	(26,142)	-	-	(26,142)
Due from other governments	308,209	-	167,167	475,376
<b>Total assets</b>	<b>\$ 4,570,726</b>	<b>\$ 739,653</b>	<b>\$ 2,892,255</b>	<b>\$ 8,202,634</b>
<b><u>Liabilities</u></b>				
Warrants and accounts payable	\$ 258,559	420,339	13,368	692,266
Accrued payroll and withholdings	165,686	-	16,929	182,615
Notes payable	-	-	-	-
<b>Total liabilities</b>	<b>424,245</b>	<b>420,339</b>	<b>30,297</b>	<b>874,881</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue	789,092	-	1,305	790,397
<b><u>Fund balances</u></b>				
Nonspendable	-	-	367,117	367,117
Restricted	-	319,314	2,400,445	2,719,759
Assigned	1,360,495	-	93,091	1,453,586
Unassigned	1,996,894	-	-	1,996,894
<b>Total fund balances</b>	<b>3,357,389</b>	<b>319,314</b>	<b>2,860,653</b>	<b>6,537,356</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,570,726</b>	<b>739,653</b>	<b>2,892,255</b>	<b>8,202,634</b>

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

**TOWN OF MERRIMAC, MASSACHUSETTS**

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Funds

For the Year Ended June 30, 2020

	General <u>Fund</u>	Police Station Construction	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Revenues:				
Property taxes	\$ 13,542,271	-	-	13,542,271
Excise taxes	934,929	-	-	934,929
Payments in lieu of taxes	1,289	-	-	1,289
Departmental charges for services	610,766	-	118,834	729,600
Licenses and permits	64,210	-	-	64,210
Intergovernmental	1,057,578	-	1,087,130	2,144,708
Fines	21,009	-	-	21,009
Investment income	125,491	-	12,920	138,411
Other	36,378	-	347,160	383,538
	<u>16,393,921</u>	<u>-</u>	<u>1,566,044</u>	<u>17,959,965</u>
Total revenues				
Expenditures:				
Current:				
General government	922,143	-	989,941	1,912,084
Public safety	1,937,731	5,081,189	269,573	7,288,493
Education	9,504,710	-	-	9,504,710
Public works	1,351,657	-	375,368	1,727,025
Human services	490,963	-	70,197	561,160
Recreation and culture	311,450	-	79,633	391,083
Intergovernmental	104,602	-	-	104,602
Employee benefits	966,774	-	-	966,774
Other	120,097	-	-	120,097
Debt service	639,303	-	-	639,303
	<u>16,349,430</u>	<u>5,081,189</u>	<u>1,784,712</u>	<u>23,215,331</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	44,491	(5,081,189)	(218,668)	(5,255,366)
Other financing sources (uses):				
Proceeds of bonds	-	6,232,000	1,753,000	7,985,000
Bond premium proceeds	-	-	749,908	749,908
Operating transfers in	427,079	-	-	427,079
Operating transfers out	-	-	(405,941)	(405,941)
	<u>427,079</u>	<u>-</u>	<u>(405,941)</u>	<u>21,138</u>
Total other financing sources (uses)				
Net changes in fund balances	<u>471,570</u>	<u>1,150,811</u>	<u>1,878,299</u>	<u>3,500,680</u>
Fund balance, beginning of year	<u>2,885,819</u>	<u>(831,497)</u>	<u>982,354</u>	<u>3,036,676</u>
Fund balance, end of year	\$ <u><u>3,357,389</u></u>	<u><u>319,314</u></u>	<u><u>2,860,653</u></u>	<u><u>6,537,356</u></u>

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

**TOWN OF MERRIMAC, MASSACHUSETTS**

Reconciliation of the Governmental Fund Balance Sheet

To the Statement of Net Position

Year Ended June 30, 2020

**Total fund balances - governmental funds** \$ 6,537,356

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land and land improvements	2,812,761
Construction in progress	6,492,925
Infrastructure assets	8,127,133
Buildings and building improvements	18,977,173
Other capital assets	3,915,236
Accumulated depreciation	<u>(17,094,251)</u>

Total Capital Assets 23,230,977

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in funds. 790,397

Deferred outflows are not reported in funds. 1,060,534

Deferred inflows are not reported in funds. (548,959)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds. These liabilities consist of:

Bonds payable	(8,865,000)
Unamortized bond premium	(722,153)
Capital leases payable	(635,010)
Accrued interest on bonds	(97,944)
Landfill postclosure care costs	(285,000)
Other post employment benefits	(1,944,685)
Compensated absences	(225,923)
Net pension liability	<u>(6,834,781)</u>

Total long-term liabilities (19,610,496)

**Net position of governmental activities** \$ 11,459,809

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

**TOWN OF MERRIMAC, MASSACHUSETTS**

Reconciliation of the Governmental Funds - Statement of Revenues,  
Expenditures and Changes in Fund Balances To the Statement of Activities  
Year Ended June 30, 2020

<b>Net changes in fund balances - governmental funds</b>	<b>\$ 3,500,680</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, these amounts are recorded as capital assets and depreciated over their estimated useful lives. This is the amount by which capital outlays are more (less) than depreciation for the year.	4,906,675
Debt proceeds provide financial resources and bond payments are recorded as expenditures in governmental funds, while these are recorded as increases or decreases to long-term liabilities in the statement of net position. This is the amount by which debt proceeds are (more) less than long-term debt repayments for the year.	(8,633,646)
Certain liabilities are not recognized in the fund based statements until paid. This represents the change in other long term liabilities from the prior year.	(356,823)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	<u>156,293</u>
<b>Changes in net position of governmental activities</b>	<b>\$ <u>(426,821)</u></b>

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



**TOWN OF MERRIMAC, MASSACHUSETTS**

## Statement of Revenues, Expenditures and Changes in Fund Balances

Non-GAAP Budgetary Basis

Budget and Actual - General Fund

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance To Final Budget Favorable (Unfavorable)
<b>Revenues:</b>				
Property taxes	\$ 13,617,261	13,617,261	13,493,359	(123,902)
Excise taxes	990,000	990,000	934,929	(55,071)
Payments in lieu of taxes	1,200	1,200	1,289	89
Departmental charges for services	633,000	633,000	610,766	(22,234)
Licenses and permits	80,000	80,000	64,210	(15,790)
Intergovernmental	1,050,272	1,050,272	1,027,084	(23,188)
Fines	35,000	35,000	21,009	(13,991)
Investment income	65,000	65,000	100,801	35,801
Other	36,423	36,423	66,872	(30,449)
<b>Total revenues</b>	<b>16,508,156</b>	<b>16,508,156</b>	<b>16,320,319</b>	<b>(248,735)</b>
<b>Expenditures:</b>				
General government	941,965	1,220,994	1,118,040	102,954
Public safety	2,155,409	2,243,674	2,013,043	230,631
Education	9,521,724	9,521,724	9,504,710	17,014
Public works	1,191,156	1,356,656	1,310,685	45,971
Human services	485,705	513,827	501,136	12,691
Recreation and culture	324,036	410,039	384,014	26,025
Debt service	662,580	662,580	539,303	123,277
Intergovernmental	103,363	103,363	104,602	(1,239)
Employee benefits	1,030,068	1,044,121	975,023	69,098
Insurance	124,000	124,000	120,096	3,904
<b>Total expenditures</b>	<b>16,540,006</b>	<b>17,200,978</b>	<b>16,570,652</b>	<b>630,326</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(31,850)</b>	<b>(692,822)</b>	<b>(250,333)</b>	<b>381,591</b>
<b>Other financing sources (uses):</b>				
Operating transfers in	19,800	395,433	420,938	25,505
Operating transfers out	-	(76,190)	(75,742)	448
<b>Total other financing sources (uses)</b>	<b>19,800</b>	<b>319,243</b>	<b>345,196</b>	<b>25,953</b>
<b>Net changes in fund balances</b>	<b>(12,050)</b>	<b>(373,579)</b>	<b>94,863</b>	<b>407,544</b>
<b>Fund balance, beginning of year</b>			<b>613,287</b>	
<b>Fund balance, end of year</b>			<b>708,150</b>	

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

**TOWN OF MERRIMAC, MASSACHUSETTS**

## Statement of Net Position - Proprietary Funds

June 30, 2020

(Except for Electric Enterprise which is as of December 31, 2019)

	Water Enterprise	Sewer Enterprise	Electric Enterprise	Total
<b><u>Assets</u></b>				
Current assets:				
Cash and cash equivalents - unrestricted	\$ 595,429	1,546,369	2,421,488	4,563,286
Cash and cash equivalents - restricted	-	-	94,754	94,754
Investments	-	-	2,701,660	2,701,660
Receivables (net):				
User charges	86,402	80,932	138,391	305,725
Special Assessments	-	126,594	-	126,594
Unbilled Revenue	431,357	396,731	529,120	1,357,208
Materials and supplies inventory	-	-	82,054	82,054
Prepaid expenses	-	-	26,306	26,306
Advanced deposits	-	-	248,902	248,902
Total current assets	1,113,188	2,150,626	6,242,675	9,506,489
Noncurrent assets:				
Due from Commonwealth	-	-	-	-
Capital assets	9,005,784	13,863,213	11,469,127	34,338,124
Accumulated depreciation	(3,505,718)	(8,013,299)	(6,093,434)	(17,612,451)
Total noncurrent assets	5,500,066	5,849,914	5,375,693	16,725,673
Total assets	\$ 6,613,254	8,000,540	11,618,368	26,232,162
<b><u>Deferred Outflows of Resources</u></b>				
Deferred amounts related to pensions	109,028	144,909	382,695	636,632
Deferred amounts related to OPEB	3,918	1,108	2,083	7,109
Total deferred outflows	112,946	146,017	384,778	643,741
<b><u>Liabilities</u></b>				
Current Liabilities:				
Warrants and accounts payable	\$ 12,973	20,700	34,279	67,952
Accrued payroll	15,725	18,487	-	34,212
Accrued interest payable	26,947	3,576	23,411	53,934
Other accrued expenses	-	-	94,754	94,754
Notes payable	-	-	-	-
Accrued compensated absences	5,117	10,995	35,668	51,780
Capital leases payable	3,773	22,397	-	26,170
Bonds payable	179,806	140,000	75,000	394,806
Total current liabilities	244,341	216,155	263,112	723,608
Noncurrent liabilities:				
Accrued compensated absences	-	25,522	28,253	53,775
Other post employment benefits	124,975	35,357	166,909	327,241
Capital leases payable	16,973	100,767	-	117,740
Net pension liability	745,498	1,003,060	1,993,940	3,742,498
Bonds payable	2,430,475	375,000	525,000	3,330,475
Total noncurrent liabilities	3,317,921	1,539,706	2,714,102	7,571,729
Total liabilities	3,562,262	1,755,861	2,977,214	8,295,337
<b><u>Deferred Inflows of Resources</u></b>				
Deferred amounts related to pensions	47,546	63,193	80,479	191,218
Deferred amounts related to OPEB	7,265	2,056	790	10,111
Total deferred inflows	54,811	65,249	81,269	201,329
<b><u>Net Position</u></b>				
Net investment in capital assets	2,869,039	5,211,750	4,775,693	12,856,482
Restricted	48,157	-	3,282,753	3,330,910
Unrestricted	191,931	1,113,697	886,217	2,191,845
Total net position	\$ 3,109,127	6,325,447	8,944,663	18,379,237

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

**TOWN OF MERRIMAC, MASSACHUSETTS****Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds****For the Year Ended June 30, 2020****(Except for Electric Enterprise which is as of December 31, 2019)**

	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Electric Enterprise</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 1,227,521	1,228,056	4,831,403	7,286,980
Special assessments	-	(58)	-	(58)
Other operating revenues	<u>100,000</u>	<u>-</u>	<u>27,813</u>	<u>127,813</u>
Total operating revenues	<u>1,327,521</u>	<u>1,227,998</u>	<u>4,859,216</u>	<u>7,414,735</u>
Operating expenditures:				
Energy purchases	-	-	3,231,779	3,231,779
Other operating expenses	899,266	744,708	914,292	2,558,266
Depreciation	<u>265,346</u>	<u>314,503</u>	<u>363,365</u>	<u>943,214</u>
Total operating expenditures	<u>1,164,612</u>	<u>1,059,211</u>	<u>4,509,436</u>	<u>6,733,259</u>
Operating income	<u>162,909</u>	<u>168,787</u>	<u>349,780</u>	<u>681,476</u>
Nonoperating revenues (expenses):				
Interest expense	(60,500)	(25,519)	(28,314)	(114,333)
Other	-	45	212,279	212,324
Investment income (loss)	<u>1,315</u>	<u>8,725</u>	<u>449,964</u>	<u>460,004</u>
Total nonoperating revenues (expenses)	<u>(59,185)</u>	<u>(16,749)</u>	<u>633,929</u>	<u>557,995</u>
Income before transfers	103,724	152,038	983,709	1,239,471
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>(21,141)</u>	<u>(21,141)</u>
Changes in net position	103,724	152,038	962,568	1,218,330
Net position, beginning of year	<u>3,005,403</u>	<u>6,173,409</u>	<u>7,982,095</u>	<u>17,160,907</u>
Net position, end of year	\$ <u><u>3,109,127</u></u>	<u><u>6,325,447</u></u>	<u><u>8,944,663</u></u>	<u><u>18,379,237</u></u>

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

**TOWN OF MERRIMAC, MASSACHUSETTS**

## Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2020

(Except for Electric Enterprise which is as of December 31, 2019)

	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Electric Enterprise</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	\$ 1,147,563	1,182,024	4,930,619	7,260,206
Other operating cash receipts	100,000	-	-	100,000
Cash paid to suppliers	(604,972)	(407,049)	(3,881,670)	(4,893,691)
Cash paid to employees	(288,962)	(356,516)	(568,722)	(1,214,200)
Operating transfers	-	-	(21,141)	(21,141)
Net cash provided by operating activities	<u>353,629</u>	<u>418,459</u>	<u>459,086</u>	<u>1,231,174</u>
Cash flows from capital and related financing activities:				
Capital expenditures	(350,668)	(241,559)	(304,617)	(896,844)
Capital contributions	-	-	212,279	212,279
Interest paid, net of subsidy	(64,233)	(26,718)	(24,801)	(115,752)
Net borrowing (repayments), net of subsidy	<u>(199,769)</u>	<u>(168,334)</u>	<u>(75,000)</u>	<u>(443,103)</u>
Net cash provided by capital and related financing activities:	<u>(614,670)</u>	<u>(436,611)</u>	<u>(192,139)</u>	<u>(1,243,420)</u>
Cash flows from investing activities:				
(Purchases) sales of investments (net)	-	-	(774,265)	(774,265)
Investment income (loss)	<u>1,315</u>	<u>8,725</u>	<u>449,964</u>	<u>460,004</u>
Net cash provided by capital and related financing activities:	<u>1,315</u>	<u>8,725</u>	<u>(324,301)</u>	<u>(314,261)</u>
Net increase in cash and cash equivalents	(259,726)	(9,427)	(57,354)	(326,507)
Cash and cash equivalents, beginning of year	<u>855,155</u>	<u>1,555,796</u>	<u>2,573,596</u>	<u>4,984,547</u>
Cash and cash equivalents, end of year	<u>\$ 595,429</u>	<u>1,546,369</u>	<u>2,516,242</u>	<u>4,658,040</u>
Reconciliation of operating income to net cash provided				
By operating activities:				
Operating income (loss)	\$ 162,909	168,787	349,780	681,476
Depreciation	265,346	314,503	363,365	943,214
Payment in lieu of taxes and transfers	-	-	(21,141)	(21,141)
(Increase) decrease in accounts receivable & unbilled	(79,958)	(45,974)	65,553	(60,379)
(Increase) decrease in other assets	-	-	10,204	10,204
Increase (decrease) in accounts payable	(25,678)	7,637	(129,172)	(147,213)
Increase (decrease) in accrued payroll	6,693	4,901	-	11,594
Increase (decrease) in other liabilities	2,402	8,420	(12,560)	(1,738)
Increase (decrease) in pension liability and deferrals	36,976	(6,132)	(218,862)	(188,018)
Increase (decrease) in OPEB liability and deferrals	<u>(15,061)</u>	<u>(33,683)</u>	<u>51,919</u>	<u>3,175</u>
Net cash provided by operating activities	<u>\$ 353,629</u>	<u>418,459</u>	<u>459,086</u>	<u>1,231,174</u>

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

**TOWN OF MERRIMAC, MASSACHUSETTS**

## Statement of Net Position

## Fiduciary Funds

June 30, 2020

	<u>OPEB Trust Fund</u>	<u>Agency</u>	<u>Total</u>
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	8,916	165,618	174,534
Investments	\$ <u>1,789,195</u>	<u>-</u>	<u>1,789,195</u>
Total assets	<u>1,798,111</u>	<u>165,618</u>	<u>1,963,729</u>
<b><u>Liabilities</u></b>			
Current Liabilities:			
Other Liabilities	\$ <u>-</u>	<u>165,618</u>	<u>165,618</u>
Total liabilities	<u>-</u>	<u>165,618</u>	<u>165,618</u>
<b><u>Net Position</u></b>			
Held in trust for retiree insurance benefits	<u>1,798,111</u>	<u>-</u>	<u>1,798,111</u>
Total net position	\$ <u><u>1,798,111</u></u>	<u><u>-</u></u>	<u><u>1,798,111</u></u>

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

**TOWN OF MERRIMAC, MASSACHUSETTS**

## Statement of Changes in Fund Net Position

## Fiduciary Funds

For the Year Ended June 30, 2020

	<u>OPEB Trust Fund</u>
<b><u>Additions</u></b>	
Contributions:	
Employer	\$ <u>231,741</u>
Total contributions	<u>231,741</u>
Investment income:	
Interest	<u>42,844</u>
Total investment income	<u>42,844</u>
Total additions	<u>274,585</u>
<b><u>Deductions</u></b>	
Benefits	<u>78,141</u>
Total deductions	<u>78,141</u>
Change in net position held in trust for retiree insurance benefits	196,444
Net position - beginning of year	<u>1,601,667</u>
Net position - end of year	\$ <u><u>1,798,111</u></u>

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



**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 1. Reporting Entity and Significant Accounting Policies**

***A. Introduction***

The Town of Merrimac was incorporated as a town in 1876 under the statutes of the Commonwealth of Massachusetts. The Town operates with a selectmen-open Town meeting form of government and an elected three-member Board of Selectmen. The Town provides general municipal services including public safety, education, public works, health, culture and recreation. Water, sewer and electric services are provided on an enterprise basis. The Town's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board is the standard setting body for governmental accounting and financial reporting.

***B. Financial Reporting Entity***

GAAP require that the accompanying financial statements present the Town (primary government) and its component units. Component units are included in the Town's reporting entity if their operational and financial relationships with the Town are significant. In determining the financial reporting entity, the Town considered all potential component units and found that none exist.

**Joint Ventures:**

The Town is a participant in the Pentucket Regional School District (the District). The District was created to provide education to students in grades K through twelve, from the Towns of Merrimac, Groveland, and West Newbury. The District is governed by a twelve-member board composed of the School Committees of member Towns. The Town is indirectly liable for the District's debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's assessment for fiscal year 2020 was \$8,341,413, which represents approximately 31.9% of the District's operating budget. A copy of the District's financial statement is available from the Superintendent's Office, 22 Main Street, West Newbury, MA 01985.

The Town is a participant in the Whittier Regional Vocational Technical School District (the District). The School was created to provide vocational technical education to students in Merrimac and other communities and is governed by a board composed of member Towns. The Town is indirectly liable for the District's debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's assessment for fiscal 2020 was \$998,951, which represents approximately 5.8% of the School's operating budget. A copy of the School's financial statement is available from the Superintendent's Office, 115 Amesbury Line Road, Haverhill, MA 01830.

***C. Financial Statement Presentation***

The financial condition and results of operations of the Town's funds are presented as of and for the year ended June 30, 2020 (except for the Electric Enterprise Fund which is as of and for the year ended December 31, 2019). The accounting policies of the Town conform to GAAP.

***D. Government-wide and Fund Financial Statements***

The Town's basic financial statements include both government-wide and fund financial statements. The government-wide financial statements report information on all the non-fiduciary activities of the Town. For the most part, the effect of interfund activities has been removed from these statements.

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 1. Reporting Entity and Significant Accounting Policies (continued)**

***D. Government-wide and Fund Financial Statements (continued)***

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or others who purchase, use or directly benefit from goods services, or privileges provided by a certain function and 2) grants and contributions restricted to meeting the operational or capital requirements of a function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. GAAP requires that major individual governmental funds and major individual enterprise funds be reported as separate columns in the fund financial statements. The Town's general, water, sewer and electric funds are reported as major funds. The Town reports the following fund financial statements:

**Governmental Funds**

**General Fund** - This fund is the Town's primary operating fund. This accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Other Governmental Funds** - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Proprietary Funds**

**Water Enterprise Fund** - This fund is used to account for the Town's water operations.

**Sewer Enterprise Fund** - This fund is used to account for the Town's sewer operations.

**Electric Enterprise Fund** - This fund is used to account for the Town's electric operations.

**Fiduciary Funds**

**Agency Funds** - These funds are used to report resources held by the Town in a purely custodial capacity (assets equal liabilities).

**OPEB Trust Fund** - This fund is used to record assets set aside for future use related to the Town's Other Post Employment Benefits (OPEB) liability.

***E. Measurement Focus and Basis of Accounting***

The government-wide, propriety, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and propriety fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Town considers revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Property taxes and interest associated with

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 1. Reporting Entity and Significant Accounting Policies (continued)**

*E. Measurement Focus and Basis of Accounting (continued)*

the current fiscal year are considered to be susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, however, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

*F. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position*

*a. Deposits and Investments*

State statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. The Town, with certain restrictions, can also purchase obligations of United States Government or its agencies, repurchase agreements, money market funds and units of the Massachusetts Municipal Depository Trust (MMDT), an investment pool established by the State Treasurer. In addition, certain other governmental funds have other investment powers, most notably the ability to invest in common stocks, corporate bonds and other specified investments.

The Town pools cash to facilitate the management of cash. Each fund presents its pro rata share of the combined cash account as cash and cash equivalents in the accompanying basic financial statements. The Town has defined cash and cash equivalents to include cash on hand, demand deposits, cash with fiscal agent and deposits with the MMDT. Investments are reported at fair value.

*b. Property Taxes*

The Town is responsible for assessing and collecting property taxes in accordance with enabling state laws. Property taxes are determined, each year, on the full and fair cash value of taxable properties as of January 1st. The tax levy is divided into two billings and is payable on a quarterly basis. The first billing is an estimate of the current year's levy based on the prior year's taxes. 50% is due on August 1st and 50% is due on November 1st. The second billing reflects adjustments to the current year's actual levy with 50% due on February 1st and 50% due on May 1st. Taxes due and unpaid after the respective due dates are subject to interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivable in the fiscal year billed.

A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2 1/2% of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2-1/2 %, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2 taxing limitations can be overridden by a Town-wide referendum vote.

*c. Inventories*

The costs of inventories are not material, and the purchase method is used in all funds except for the electric enterprise fund. The electric enterprise fund uses the average cost method of recording inventory for materials and supplies.

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 1. Reporting Entity and Significant Accounting Policies (continued)**

***F. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (continued)***

***d. Capital Assets***

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2002 consist of the roadways and curbing assets that were acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated life in excess of three years. Such assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Assets</u>	<u>Years</u>
Land improvements	20 - 30	Vehicles and equipment	3 - 10
Buildings	40	Infrastructure	30 - 100
Building improvements	7 - 20		

***e. Compensated Absences***

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and certain sick leave absences. In the government-wide and proprietary fund financial statements, this liability is recognized when the associated benefit has been earned. For sick leave benefits, a liability is recognized when the sick leave benefit (primarily sick leave buy back benefits) is fully vested.

***f. Deferred Outflows/Inflows of Resources***

In addition to assets and liabilities, the entity wide and governmental fund statements may present deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will be recognized as an outflow (expense/expenditure) at that time. Deferred inflows of resources represent acquisition of net position that applies to a future period and will be recognized as an inflow (revenue) at that time. In the entity wide and proprietary fund statements, the Town has recorded certain amounts related to the pensions and OPEB liability as deferred outflows and deferred inflows of resources. In governmental funds, unavailable revenue is recorded as deferred inflows.

***g. Long-term Obligations***

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are (if material) deferred and amortized over the life of the bonds. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts received on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 1. Reporting Entity and Significant Accounting Policies (continued)**

*F. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (continued)*

*h. Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Essex Regional Retirement System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*i. Other Post-Employment Benefits*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town's OPEB Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*j. Fund Balances - Governmental Funds*

In the governmental fund financial statements, fund balance is divided into five categories - nonspendable, restricted, committed, assigned and unassigned. Presented below is a discussion of each GASB 54 fund balance classification.

Nonspendable - Amounts that cannot be spent because they are either not in spendable form or must be kept intact for legal or contractual reasons. This category is utilized mainly for permanent fund principal and also includes (if applicable) prepaid expenses, inventory and long-term portion of loans receivable (unless the purpose is restricted, committed or assigned).

Restricted - Amounts constrained to specific purpose by external parties, enabling legislation and constitutional provision. Enabling legislation means the government is authorized to collect revenue and other parties (citizens, courts) can compel the government to spend the funds only on the authorized purpose.

Committed - Amounts constrained to specific purpose by the highest level of decision-making authority (Town Meeting) and can be changed only by the same action.

Assigned - Amounts intended for a specific purpose by the Selectmen, Town Committee or Town management but do not meet the criteria to be classified as restricted or committed.

Unassigned - The residual classification of the Town's general fund only (and residual deficits in other governmental funds).

The Town's policy is to apply expenditures against restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year via adjusting journal entries. Non-general funds may have negative unassigned fund balances when non-spendable amounts plus restricted, committed and assigned fund balances exceed the total positive fund balance in a fund. Committed fund balance is created from Town Meeting action and must be uncommitted by similar action. Assigned fund balance is created primarily from authorized actions of the Board of Selectmen or

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 1. Reporting Entity and Significant Accounting Policies (continued)**

*F. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (continued)*

*j. Fund Balances - Governmental Funds (continued)*

Town management. Assigned fund balance includes general fund encumbrances and article carry forwards of \$1,360,495 and accepted gifts and donations of \$93,091.

Unassigned fund balance in the general fund includes \$1,389,627 in three stabilization fund balances (general, capital and ambulance). Stabilization funds are obtained by Town Meeting authorization and are almost exclusively generated from transfers from the general fund budget. These funds are set aside for extraordinary or unforeseen purposes, must be approved by Town Meeting and (in the case of general stabilization) can be utilized for any lawful purpose. Currently, the Town does not have a fund balance policy addressing the level of targeted reserves.

*k. Net Position*

Net position appears in the Town's proprietary (enterprise) and fiduciary funds and the government wide financial statements. Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets less accumulated depreciation and outstanding debt (net of related debt subsidies from the state). Restricted net position consists of net position with constraints placed on the use either by grantors, creditors, contributors or laws and regulations of other governments or by constitutional provisions or enabling legislation.

*l. Use of Estimates*

In preparing the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2. Budgetary Information**

Under the Town's by-laws, budget requests are prepared by Town departments and submitted to the Selectmen and Finance Committee for review. The Selectmen and the Finance Committee have until May, when the Town meeting is held, to make their recommendations regarding department requests. After approval of the budget at the annual Town meeting, the tax recapitulation sheet is prepared. During this process the property tax rate is determined, and the recap sheet is sent to the Department of Revenue for approval. This process should generally be completed by November, so the actual tax bills can be mailed by January 1, due and payable by the taxpayer on February 1.

The Town must establish its tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 1/2 and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures, state and county assessments, and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenues and transfers projected to be received by the Town, including available funds.



**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 2. Budgetary Information (continued)**

The final Town budget as presented in the Budgetary Comparison Schedule was developed as:

Expenditures and transfers out	<u>\$17,277,168</u>
To be funded as follows:	
Budgeted revenue	\$16,508,156
Transfers from other funds	395,433
Allocation of surplus	<u>373,579</u>
Total funding (resources)	<u>\$17,277,168</u>

The Town's General Fund budget is prepared on a basis other than GAAP. The "actual" results column of the Budgetary Comparison Schedule - General Fund is presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP bases are:

- a. Property tax revenues are recorded when the cash is received as opposed to when susceptible to accrual (GAAP);
- b. Encumbrances and continuing appropriations are recorded as expenditures (budgetary) as opposed to a reservation of fund balance (GAAP);
- c. On behalf payments for state teacher's retirement system and water pollution trust debt and light fund streetlight forgiveness are recognized for GAAP only; and
- d. Stabilization and capital improvement funds are not part of the general fund.

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the general fund for the year ended June 30, 2020:

Net changes in fund balances - Budgetary Basis	\$94,863
Adjustments:	
Record Revenues on a Modified Accrual Basis	\$48,912
Stabilization Fund Interest and Transfers	\$100,432
Adjustment for Encumbrances and Continuing Articles	<u>\$227,363</u>
Net changes in fund balances - GAAP Basis	<u>\$471,570</u>

Within the adopted budget a sum is allocated to provide funding for extraordinary or unforeseen expenditures. The Finance Committee can authorize transfers from this reserve fund. Any other modifications to the budget would require action by Town Meeting.

**Note 3. Deposits and Investments**

***Please note that the difference between the amounts below and amounts in the financial statements is due solely to the presentation of the electric enterprise fund as of December 31, 2019.***

**Cash Deposits**

Custodial risk on cash deposits is the risk that in the event of a depository failure, the Town will not be able to recover the value of its deposits or collateral securities that are in the possession of the depository. The Town's attempts to limit custodial risk by placing funds in a variety of financial institutions and maximizing amounts insured or collateralized. At June 30, 2020, the Town's carrying amount of deposits

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 3. Deposits and Investments**

was \$6,065,830 and the bank balance was \$6,097,309. Only \$6,053,636 of the bank balance was covered by Federal Deposit Insurance Corporation or other state insurance. The remaining \$43,674 was neither insured nor collateralized.

**Investments**

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that disclosures related to these investments only need to be disaggregated by major type. The Town chooses a narrative format for the fair value disclosures. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs use to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At June 30, 2020, US government and agency securities, mutual funds, equities and money market mutual funds are categorized as Level 1 and other fixed income securities are categorized as Level 2.

MMDT cash portfolio investments are valued at amortized cost. Under this method, an investment is initially valued at its cost and adjusted for the amount if income accrued each day over the investment term to account for the difference between the initial cost and the amount payable at maturity. If amortized cost is determined not to approximate fair value, the value will be established under procedures established by the investment advisor. PRIM investments are valued using the net asset value method. PRIM is an investment pool established by the Commonwealth of Massachusetts and administered by the Pension Reserve Investment Management Board. The fair values of the positions in each investment pool are the same as the value of each pool's shares. The Town does not have the ability to control any investment decisions relative to its funds in PRIM.

At June 30, 2020, the Town's investment balances were as follows:

<u>Type of Investment</u>	<u>Fair Value</u>
<u>Debt Securities</u>	
US government and agency securities	\$142,461
Other fixed income securities	<u>538,652</u>
Total Debt Securities	\$681,113
<u>Other Investments</u>	
Equities	470,033
Mutual funds	4,708,797
Money market mutual funds (cash equivalents)	28,735
MMDT – cash portfolio (cash equivalents)	<u>4,327,433</u>
Total investments	<u>\$10,216,111</u>

*Custodial credit risk* for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have an investment policy covering custodial credit risk.

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
June 30, 2020

**Note 3. Deposits and Investments (continued)**

*Interest rate risk* is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Town does not have an investment policy covering interest rate risk. Maturities on the Town's investments subject to interest rate risk are as follows:

	<u>Fair Value</u>	<u>Under One Year</u>	<u>1-2 Years</u>	<u>3-5 Years</u>	<u>Thereafter</u>
US government & agencies	\$142,461	50,065	32,240	60,156	-
Other fixed income securities	<u>538,652</u>	<u>137,073</u>	<u>71,604</u>	<u>229,301</u>	<u>100,674</u>
Total	<u>\$681,113</u>	<u>187,138</u>	<u>103,844</u>	<u>289,457</u>	<u>100,674</u>

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Ratings on the Town's investments are as follows:

	<u>Fair Value</u>	<u>AA to A</u>	<u>BBB</u>	<u>Not Rated</u>
US government & agencies	\$142,461	142,461	-	-
Other fixed income securities	<u>538,652</u>	<u>279,505</u>	<u>93,438</u>	<u>165,709</u>
Total	<u>\$681,113</u>	<u>421,966</u>	<u>93,438</u>	<u>165,709</u>

The remaining investments are unrated.

*Concentration of credit risk* – The Town does not have an investment policy which limits the amount that can be invested in any one issuer or security. Excluding US federal agency securities, and external investment pools, there are no securities or issuers which represent more than 5% of the total investments of the governmental funds or governmental activities.

**Note 4. Receivables**

At June 30, 2020, receivables for individual major and non-major funds, in the aggregate and including allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance</u>	<u>Net Amount</u>
Governmental activities:			
Real estate and personal property	\$331,837	(26,142)	305,695
Tax liens	372,112	-	372,112
Excise taxes	116,126	-	116,126
Departmental	<u>95,582</u>	<u>-</u>	<u>95,582</u>
	<u>915,657</u>	<u>(26,142)</u>	<u>889,515</u>
Business-type activities:			
Water user charges	86,402	-	86,402
Sewer user charges and assessments	207,526	-	207,526
Electric user charges	<u>151,977</u>	<u>(13,586)</u>	<u>138,391</u>
	<u>\$445,905</u>	<u>(13,586)</u>	<u>432,319</u>

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
June 30, 2020

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2020 (electric enterprise fund as of December 31, 2019) was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	\$2,805,761	7,000	-	2,812,761
Construction in progress	<u>1,777,374</u>	<u>4,959,896</u>	<u>245,345</u>	<u>6,492,925</u>
Total capital assets not being depreciated	<u>4,583,135</u>	<u>4,966,896</u>	<u>245,345</u>	<u>9,305,686</u>
Capital assets being depreciated:				
Buildings and improvements	18,964,223	12,950	-	18,977,173
Equipment	3,333,647	588,179	6,590	3,915,236
Infrastructure	<u>7,691,684</u>	<u>435,449</u>	=	<u>8,127,133</u>
Total capital assets being depreciated	<u>29,989,554</u>	<u>1,036,578</u>	<u>6,590</u>	<u>31,019,542</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,405,622)	(487,525)	-	(9,893,147)
Equipment	(2,404,050)	(273,260)	(6,590)	(2,670,720)
Infrastructure	<u>(4,438,715)</u>	<u>(91,669)</u>	=	<u>(4,530,384)</u>
Total accumulated depreciation	<u>(16,248,387)</u>	<u>(852,454)</u>	<u>(6,590)</u>	<u>(17,094,251)</u>
Capital assets being depreciated, net	<u>13,741,167</u>	<u>184,124</u>	=	<u>13,925,291</u>
Total governmental activities capital assets, net	<u>\$18,324,302</u>	<u>5,151,020</u>	<u>244,345</u>	<u>23,230,977</u>
Depreciation expense was charged to functions as follows:		<u>Governmental Activities</u>		
General government		\$140,770		
Public safety		186,169		
Education		216,318		
Public works		177,959		
Human services		34,721		
Recreation and culture		<u>95,517</u>		
Total governmental activities depreciation expense		<u>\$852,454</u>		
Business-type activities:				
Capital assets not being depreciated:				
Land and land improvements	\$352,630	-	-	352,630
Construction in progress	<u>40,265</u>	<u>79,272</u>	<u>37,088</u>	<u>82,449</u>
Total capital assets not being depreciated	<u>392,895</u>	<u>79,272</u>	<u>37,088</u>	<u>435,079</u>
Capital assets being depreciated:				
Improvements other than buildings	4,239,603	200,359	-	4,439,962
Buildings and improvements	884,052	-	-	884,052
Equipment	1,966,063	105,382	-	2,071,445
Infrastructure	<u>25,815,046</u>	<u>548,919</u>	<u>1,149</u>	<u>26,362,816</u>
Total capital assets being depreciated	<u>32,904,764</u>	<u>854,660</u>	<u>1,149</u>	<u>33,758,275</u>
Less accumulated depreciation for:				
Improvements other than buildings	(667,967)	(200,907)	-	(868,874)
Buildings and improvements	(397,919)	(26,019)	-	(423,938)
Equipment	(1,141,254)	(97,939)	-	(1,239,193)
Infrastructure	<u>(14,317,327)</u>	<u>(618,349)</u>	=	<u>(14,935,676)</u>
Total accumulated depreciation	<u>(16,524,467)</u>	<u>(943,214)</u>	=	<u>(17,467,681)</u>
Capital assets being depreciated, net	<u>16,380,297</u>	<u>(88,554)</u>	<u>1,149</u>	<u>16,290,594</u>
Total governmental activities capital assets, net	<u>\$16,773,192</u>	<u>(9,282)</u>	<u>38,237</u>	<u>16,725,673</u>

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
June 30, 2020

**Note 5. Capital Assets (continued)**

	<u>Business-type Activities</u>
Depreciation expense was charged to functions as follows:	
Water	\$ 265,346
Sewer	314,503
Electric	<u>363,365</u>
Total business-type activities depreciation expense	<u>\$ 943,214</u>

**Note 6. Short-term Debt**

Subject to state laws, the Town is authorized to issue general obligation debt on a temporary basis. The following classes of short-term loans can be issued:

Tax anticipation notes (TANs) - This debt is issued to provide funding for operations during lean periods in a fiscal cycle. They are repaid from subsequent collections of taxes or other revenues.

Bond anticipation notes (BANs) - This debt is issued to provide initial funding for capital projects. They are redeemed from the proceeds from the sale of the bonds.

Grant anticipation notes (GANs) - This debt is issued to provide funding for projects in anticipation of reimbursement from federal or state grants.

Short-term debt activity for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Type:				
Bond anticipation notes – various projects	<u>\$3,100,000</u>	=	<u>3,100,000</u>	=
Business Type:				
Bond anticipation notes – all	=	=	=	=

**Note 7. Long-term Obligations**

The following is a summary of changes in the Town's long-term obligation for the year ended June 30, 2020 (with electric light business-type activities presented for year-end December 31, 2019):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
Compensated absences	183,500	42,423	-	225,923	83,604
Landfill post closure costs	300,000	-	15,000	285,000	15,000
Other post employment benefits	2,007,787	-	63,102	1,944,685	-
Capital leases payable	475,178	289,592	129,760	635,010	135,370
Net pension liability	6,414,504	420,277	-	6,834,781	-
Unamortized bond premium	-	749,907	27,754	722,153	57,395
Bonds payable	<u>1,200,000</u>	<u>7,985,000</u>	<u>320,000</u>	<u>8,865,000</u>	<u>455,000</u>
	<u>10,580,969</u>	<u>9,487,199</u>	<u>555,616</u>	<u>19,512,552</u>	<u>746,369</u>
Business-type activities:					
Compensated absences	113,143	-	7,588	105,555	51,780
Other post employment benefits	427,347	-	100,106	327,241	-
Capital leases payable	168,866	-	24,956	143,910	26,170
Net pension liability	3,547,989	194,509	-	3,742,498	-
Bonds payable	<u>4,148,352</u>	<u>-</u>	<u>423,071</u>	<u>3,725,281</u>	<u>394,806</u>
	<u>8,405,697</u>	<u>194,509</u>	<u>555,721</u>	<u>8,044,485</u>	<u>472,756</u>

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 8. Bonds and Capital Leases Payable**

The Town's indebtedness consists of general obligation serial notes issued for special projects, which must be approved by Town meeting. The outstanding governmental activities bonds are presented below.

<u>Project</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding at July 1, 2019</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2020</u>
Town Hall Refunded	09/01/22	2.0%-3.0%	\$ 530,000	-	135,000	395,000
Library Refunded	09/01/23	2.0%-3.0%	550,000	-	115,000	435,000
General Refunded	12/15/19	3.0%-4.75%	55,000	-	55,000	-
Land Acquisition	09/01/23	2.0%-3.0%	65,000	-	15,000	50,000
General Purpose	09/15/44	2.25%-5.0%	=	<u>7,985,000</u>	=	<u>7,895,000</u>
Totals			<u>\$1,200,000</u>	<u>7,985,000</u>	<u>320,000</u>	<u>8,865,000</u>

The outstanding business-type activities bonds are presented below.

<u>Project</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding July 1, 2019</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2020</u>
Sewer MWPAT	08/01/19	2.36%	\$ 10,000	-	10,000	-
Sewer Refunded	09/01/22	2.0%-3.0%	20,000	-	5,000	15,000
Sewer Treatment	11/15/23	2.0%-5.0%	415,000	-	85,000	330,000
Sewer	11/15/23	2.0%-5.0%	12,500	-	2,500	10,000
Sewer	11/15/23	2.0%-5.0%	12,500	-	2,500	10,000
Sewer Mains	08/23/20	3.5%-4.25%	20,000	-	10,000	10,000
Sewer	09/01/23	2.0%-3.0%	175,000	-	35,000	140,000
Water - Refunded	12/15/19	3.0%-4.75%	20,000	-	20,000	-
Water	09/01/21	2.0%-3.0%	90,000	-	30,000	60,000
Water Engineering	09/01/23	2.0%-3.0%	70,000	-	15,000	55,000
Water Pump Station	09/01/23	2.0%-3.0%	50,000	-	10,000	40,000
Water Treatment	09/01/23	2.0%-3.0%	125,000	-	25,000	100,000
Water	09/01/23	2.0%-3.0%	100,000	-	25,000	75,000
Mass CWT	01/15/36	2.0%	753,352	-	37,106	716,246
Mass CWT	09/12/18	2.4%	1,600,000	-	35,965	1,564,035
Electric	12/15/27	3.0%-4.0%	<u>675,000</u>	=	<u>75,000</u>	<u>600,000</u>
Totals			<u>\$4,148,352</u>	=	<u>423,071</u>	<u>3,725,281</u>

The annual debt service requirements of the Town's outstanding indebtedness at June 30, 2020 (December 31, 2019 for electric light business-type activities) are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities Principal</u>	<u>Governmental Activities Interest</u>	<u>Business-type Activities Principal</u>	<u>Business-type Activities Interest</u>	<u>Total Principal</u>	<u>Total Interest</u>
2021	\$455,000	292,170	394,806	98,923	849,806	391,093
2022	465,000	274,970	386,583	86,385	851,583	361,355
2023	465,000	256,770	348,403	74,204	813,403	330,974
2024	345,000	240,170	325,265	62,927	670,265	303,097
2025	235,000	226,820	157,173	55,057	392,173	281,877
2026 – 2030	1,400,000	939,275	666,118	208,102	2,066,118	1,147,377
2031 – 2035	1,680,000	662,225	496,146	143,334	2,176,146	805,559
2036 – 2040	1,870,000	405,868	337,106	92,123	2,207,106	497,990
2041 – 2045	1,950,000	148,500	323,490	54,628	2,273,490	203,128
2046 – 2050	=	=	<u>290,191</u>	<u>14,151</u>	<u>290,191</u>	<u>14,151</u>
Totals	<u>\$8,865,000</u>	<u>3,446,768</u>	<u>3,725,281</u>	<u>889,835</u>	<u>12,590,281</u>	<u>4,336,603</u>

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 8. Bonds and Capital Leases Payable (continued)**

The Town is subject to a dual level general debt limit; the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Oversight Board. Additionally, there are many categories of general obligation debt, which are exempt from the debt limit but are subject to other limitations.

As of June 30, 2020, the Town may issue approximately \$39,037,255 of additional general obligation debt under the normal debt limit. The Town has \$3,300,281 of issued debt exempt from the debt limit. At June 30, 2020, the Town has \$0 of authorized and unissued debt for various projects.

In addition to the Town's outstanding debt, the Town is assessed its share of debt from other governmental entities (known as overlapping debt). For the Pentucket Regional School District, the Town's share of the Regional School's \$60,674,202 debt at June 30, 2020 (based on current assessment percentages) is 30.2% or \$18,323,609.

The Town has various equipment lease purchase financing agreements. At June 30, 2020, the balance of these leases are \$778,920. Interest rates range from 2.65% to 4.27%. Annual payments required under these capital leases at June 30, 2020 are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities Principal</u>	<u>Governmental Activities Interest</u>	<u>Business-type Activities Principal</u>	<u>Business-type Activities Interest</u>	<u>Total Principal</u>	<u>Total Interest</u>
2021	\$135,370	18,955	26,170	3,641	161,540	22,596
2022	141,195	14,705	27,432	2,939	168,627	17,644
2023	147,241	10,274	28,741	2,204	175,982	12,478
2024	122,659	5,655	30,101	1,433	152,760	7,088
2025	88,545	1,763	31,466	626	120,011	2,389
2026 – 2030	-	-	-	-	-	-
2031 – 2035	-	-	-	-	-	-
<b>Totals</b>	<b><u>\$635,010</u></b>	<b><u>51,352</u></b>	<b><u>143,910</u></b>	<b><u>10,843</u></b>	<b><u>778,920</u></b>	<b><u>62,195</u></b>

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
June 30, 2020

**Note 9. Governmental Fund Balances**

The detailed breakdown of fund balances for the Town's governmental funds appears below.

	<u>General Fund</u>	<u>Police Station Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Fund Balances:				
Nonspendable:				
Permanent fund principal	\$ -	-	367,117	367,117
Restricted:				
Permanent fund spendable amounts	-	-	157,319	157,319
Capital projects	-	319,314	819,868	1,139,182
Cable TV	-	-	450,567	450,567
Inspections	-	-	117,388	117,388
Affordable housing	-	-	120,356	120,356
Bond premium	-	-	366,117	366,117
Other purposes - special revenue	-	-	368,830	368,830
Assigned:				
Gifts and donations	-	-	93,091	93,091
General government encumbrances	333,613	-	-	333,613
Public works encumbrances	740,378	-	-	740,378
Other general fund encumbrances	286,504	-	-	286,504
Unassigned:				
Stabilization funds	1,389,627	-	-	1,389,627
General fund residual balance	<u>607,267</u>	-	-	<u>607,267</u>
Total governmental fund balances	<u>\$3,357,389</u>	<u>319,314</u>	<u>2,860,653</u>	<u>6,537,356</u>

**Note 10. Inter-fund Transfers**

Operating transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Transfers are typically made to offset the cost of budgeted items in the general fund or to set aside funds for future use. For the year ended June 30, 2020, the general fund received \$21,138 from the electric enterprise fund in lieu of taxes, \$4,800 from the cemetery lots and graves fund, \$255,633 from bond premium reserve, \$20,000 from code enforcement revolving, \$100,000 from inspections revolving and \$25,505 from the grants. The general fund transferred \$50,000 to the capital stabilization fund, \$20,000 to the ambulance stabilization fund and \$5,742 to the general stabilization fund (these appears only in the budgetary statement transfers, as the stabilization funds are now included in the general fund based on the requirements of GASB 54). The net transfer amount of \$21,138 is due to the presentation of the electric light enterprise fund as of December 31, 2019.

**Note 11. Pension Plans**

**Essex Regional Retirement System:**

**Plan Description:** Town employees are provided with pensions through the Essex Regional Retirement System, a cost sharing, multiple employer defined benefit plans administered by the Essex Regional Retirement Board and regulated by the Massachusetts Public Employee Retirement Administration Commission (PERAC). Chapter 32 of the Massachusetts General Laws (MGL) grants the authority to establish and amend benefit terms. The System issues an annual public report that can be obtained at [essexregional.com](http://essexregional.com).

**Benefits Terms:** Membership in the System is mandatory for all full-time employees and non-seasonal employees who, in general, regularly work more than twenty hours per week.



**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 11. Pension Plans (continued)**

The System provides retirement, disability and death benefits. Retirement benefits are determined as follows. For employees hired prior to April 2, 2012, it is 2.5% of the employee's final three-year average compensation multiplied by the employee's years of service (a percentage lower than 2.5% is used if the employee retires prior to full retirement age which is normally 65). For employees hired on or after April 2, 2012, it is 2.5% of the employee's final five-year average compensation multiplied by the employee's years of service (a percentage lower than 2.5% is used if the employee retires prior to full retirement age which is normally 67). Employees may elect early retirement after 20 years of service or at any time after attaining age 55 (age 60 if hired on or after April 2, 2012) with 10 years eligible service.

System members who become permanently and totally disabled may be eligible to receive a disability retirement allowance. Disability benefits are based on a number of factors, including the member's age, compensation, veteran status, years of service and whether or not the disability is work related. In addition, certain death benefits exist for beneficiaries who die in active service.

Cost of living adjustments (COLAs) granted between 1981 and 1997 are the responsibility of the Commonwealth. Beginning in 1998, funding COLAs became the responsibility of the System.

**Contributions:** Chapter 32 of MGL governs the contributions of plan members and member employers. Employees contribute 5% of regular compensation if employed prior to January 1, 1975; 7% if first employed from January 1, 1975 to December 31, 1983; 8% of the first \$30,000 and 10% thereafter if first employed on or after January 1, 1984; and 9% of the first \$30,000 and 11% thereafter if first employed on or after January 1, 1998. The Town's contribution reflects its share of the system-wide actuarial determined contribution, in accordance with Chapter 32 Section 22D of MGL, apportioned among all System employers based on an annual employer normal cost and amortization payments to pay the unfunded net pension liability in full by fiscal year 2035. Contributions to the System by the Town for the year ended June 30, 2020 were \$904,792.

**Return of Contributions:** Employee contributions may be returned to the participants upon leaving Town employment prior to retirement, within certain age and length of employment restrictions, as prescribed by the Massachusetts General Laws.

**Net Pension Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

***[Note: the amounts reported in the financial statements are different from the amounts discussed below solely due to the presentation of the light enterprise fund as of December 31, 2019. For information on the electric enterprise fund as of December 31, 2019, see separately issued financial statements.]***

At June 30, 2020, the Town has a liability of \$10,529,627 for its proportionate share of the net pension liability. The net pension liability was measured at December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020, rolled back to December 31, 2019. There were no material changes made in this update to the actuarial assumptions or to the retirement terms since the last actuarial valuation. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Town's proportion was 2.499%.

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
June 30, 2020

**Note 11. Pension Plans (continued)**

For the year ended June 30, 2020, the Town recognized pension expense of \$1,331,710. At June 30, 2020, the Town reported the following deferrals related to pensions: deferred outflows of 1) \$1,052,410 for changes in assumptions, 2) \$1,445 the difference between expected and actual experience, and 3) \$486,089 for the change in allocated proportion, and deferred inflows of 1) \$50,041 for the difference between expected and actual experience, 2) \$392,594 for the net difference between projected and actual investment and 3) \$228,919 for changes in employer proportion. Total net deferred outflows and inflows of \$868,390 (net outflows) will be recognized in pension expense as follows:

Fiscal year ended June 30:	
2020	\$293,341
2021	\$216,361
2022	\$260,670
2023	<u>\$98,018</u>
Total	<u>\$868,390</u>

**Actuarial Assumptions:** The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

COLA	2% of the first \$14,000 for 2021, 3% thereafter
Salary increases	Based on years of service, ranging from 3.75%-7.5%
Investment rate of return	7.3% (previously 7.5%)
Actuarial cost method	Entry Age Normal

Mortality rates were based on the RP-2014 Employee Mortality Table projected generationally with Scale MP-2019 for active employees. For retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2019. For disabled retirees, the mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2019 set forward two years.

The long-term rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	21.00%	6.15%
International developed equities	13.00%	6.78%
International emerging equities	5.00%	8.65%
Core fixed income	15.00%	1.11%
High-yield fixed income	8.00%	3.51%
Real estate	10.00%	4.33%
Commodities	4.00%	4.13%
Hedge funds/Other	11.00%	3.19%
Private Equity	<u>13.00%</u>	9.99%
Total	<u>100.00%</u>	

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 11. Pension Plans (continued)**

**Discount Rate:** The discount rate used to measure the total pension liability was 7.3% (formerly 7.5%). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that contributions will be made at the actuarially determined contribution rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of 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 total pension liability.

**Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:** The following presents the Town's proportionate share of the net pension liability of the System calculated using the discount rate of 7.3%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.3%) or 1-percentage-point higher (8.3%) than the current rate:

<u>1% Decrease (6.3%)</u>	<u>Current Discount Rate (7.3%)</u>	<u>1% Increase (8.3%)</u>
\$13,241,653	\$10,529,627	\$8,250,000

**Pension Plan Fiduciary Net Position:** Detailed information about the pension plan's fiduciary net position is available in a separately available audited financial statement available at [essexregional.com](http://essexregional.com). The System's fiduciary net position was determined using the accrual basis of accounting.

**Note 12. Other Post-Employment Benefits (OPEB)**

The Town administers a single-employer defined benefit healthcare plan (the "OPEB Plan"). The OPEB Plan provides health, dental and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town's premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town's financial statements.

With respect to OPEB plan reporting, GASB issued GASB Statement No.'s 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Reporting requirements for governments who administer an OPEB plan as defined under the accounting standard are required to present disclosures under both GASB 74 and GASB 75.

GASB 74 requires specific disclosures and required supplementary information that relate directly to the fiduciary fund in which the OPEB Plan is recorded. GASB 75 address disclosures related to the net OPEB liability required to be recorded by the government in its applicable financial statements. A number of these disclosures are identical, especially if the same measurement date is used for both GASB 74 and GASB 75. When different measurement dates are used, differences in assumptions and calculations will result.

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
June 30, 2020

**Note 12. Other Post-Employment Benefits (OPEB) (continued)**

*[Note: the amounts reported in the financial statements are different from the amounts discussed below solely due to the presentation of the light enterprise fund as of December 31, 2019. For information on the electric enterprise fund as of December 31, 2019, see separately issued financial statements.]*

OPEB Plan disclosures that impact the Town's net OPEB liability using an actuarial study as of July 1, 2019 and a measurement and reporting date of June 30, 2020 are summarized as follows:

**Employees Covered by Benefit Terms** – The following employees were covered by the benefit terms as of June 30, 2020:

Active employees	54
Inactive employees	25
Total	<u>79</u>

**Contributions** – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Currently, members receiving these benefits contribute at a 50% coverage rate or at 50% of the Medex rate, depending on the plan. The remainder of the cost is funded by general revenues of the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2020, the Town's average contribution rate was approximately 7.22% of covered-employee payroll.

**Net OPEB Liability** – The Town's net OPEB liability was measured as of June 30, 2020 using an actuarial valuation as of July 1, 2019. The components of the net OPEB liability of the Town at June 30, 2020 were as follows:

Total OPEB Liability	\$ 4,103,070
Plan fiduciary net position	<u>(1,798,111)</u>
Net OPEB liability	<u>\$ 2,304,959</u>
Plan fiduciary net position as a percentage of the total OPEB liability	43.82%

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 12. Other Post-Employment Benefits (OPEB) (continued)**

Investment rate of return	6.75%, net of OPEB plan investment expense, including inflation.
Municipal bond rate	2.66% as of June 30, 2020
Discount Rate	6.75%, net of OPEB plan investment expense including inflation.
Inflation	2.5% annually as of June 30, 2020 and for future periods
Health Care Trend Rate	5%
Salary Increases	3.00% annually as of June 30, 2020 and for future periods
Cost of Living Adjustment	Not applicable.
Pre-Retirement Mortality	RP-2014 Mortality Table for blue collar employees projected generationally with scale MP-2016 for males and females
Post-Retirement Mortality	RP-2014 Mortality Table for blue collar healthy annuitants projected generationally with scale MP-2016 for males and females set forward 1 year
Disabled Mortality	RP-2014 Mortality Table for blue collar healthy annuitants projected generationally with scale MP-2016 for males and females
Actuarial Cost Method	Individual entry age normal

**Discount Rate** – The discount rate used to measure the total OPEB liability was 6.75%.

**Investment Custody** – In accordance with the Town’s irrevocable trust, the Trust is administered by a five-member Board of Trustees consisting of the Town Treasurer, Town Accountant, Light Department Manager, Chairperson of the Finance Committee and the Chairperson of the Board of Selectmen. Per state statutes, the Town Treasurer is the custodian of the OPEB Plan assets. The Trustees are responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

**Long Term Expected Rate of Return** – The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
June 30, 2020

**Note 12. Other Post-Employment Benefits (OPEB) (continued)**

expected inflation. The target allocation and best estimates of arithmetic real rates of return were as reflected in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity - Large Cap	20.00%	4.80%
Domestic Equity - Small/Mid Cap	10.00%	5.29%
International Equity - Developed Market	10.00%	5.45%
International Equity - Emerging Market	5.00%	6.42%
Domestic Fixed Income	25.00%	2.05%
International Fixed Income	10.00%	3.00%
Alternatives	20.00%	6.50%
Cash	0.00%	0.00%
	100.00%	
Real rate of return		4.47%
Inflation assumption		2.50%
 Total nominal rate of return		 6.97%
Investment expense		-0.25%
Net investment return		6.72%

**Sensitivity Analyses** – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

	Discount Rate		
	1% Decrease (5.75%)	Trend Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	\$ 2,872,430	\$ 2,304,959	\$ 1,768,731
Service Cost	157,705	112,937	84,686
	Health Care Rate		
	1% Decrease (3.5%)	Current (4.5%)	1% Increase (5.5%)
Net OPEB Liability	\$ 1,789,415	\$ 2,304,959	\$ 2,944,090
Service Cost	93,102	112,937	139,047

**Changes in the Net OPEB Liability** – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2020:

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
June 30, 2020

**Note 12. Other Post-Employment Benefits (OPEB) (continued)**

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019	\$ 3,991,046	\$ 1,601,667	\$ 2,389,379
Changes for the year:			
Service cost	112,937	-	112,937
Interest	263,073	-	263,073
Difference between expected and actual experience	(114,330)	-	(114,330)
Changes in assumptions	(34,417)	-	(34,417)
Net investment income	-	42,844	(42,844)
Employer contributions	-	268,839	(268,839)
Benefit payments withdrawn from trust	-	(115,239)	115,239
Benefit payments, implicit cost	(25,118)	-	(25,118)
Benefit payments, excluding implicit cost	(90,121)	-	(90,121)
Net changes	112,024	196,444	(84,420)
Balances at June 30, 2020	\$ 4,103,070	\$ 1,798,111	\$ 2,304,959

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB** – For the year ended June 30, 2020, the Town recognized OPEB expense of \$282,087. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2020 were reported as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual investment earnings	\$ -	\$ 72,749
Differences between expected and actual experience	\$ 104,497	\$ -
Changes in assumptions	29,500	-
	\$ 133,997	\$ 72,749

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB (net inflow of \$61,748) will be recognized in OPEB expense (benefit) as follows:

June 30	
2021	\$ (2,526)
2022	\$ (2,524)
2023	\$ (6,924)
2024	\$ (7,277)
2025	\$ (21,250)
Thereafter	\$ (21,247)
	\$ (61,748)

**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 13. Landfill Closure and Post Closure Care Costs**

State and Federal regulations require that the Town place a final cover on its landfill after the landfill is closed and also to perform certain ongoing maintenance and monitoring for thirty years after closure. The Town's landfill is closed. The Town plans to fund post closure testing and monitoring costs, estimated at \$285,000 over the next eighteen years, from its annual tax levy. This estimated liability, which is subject to change due to inflation, technology and applicable regulations, is presented in the Statement of Net Position.

**Note 14. Commitments**

The Department purchases its power through contracts with various power suppliers. These contracts are subject to certain market factors. Based on current market conditions, the Department anticipates some stability to its power cost expenses over the next few years.

**Note 15. Risk Management**

Lawsuits may be pending or threatened against the Town, which arise from the ordinary course of operations, including actions commenced and claims asserted against it for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. The Town estimates that potential claims against the Town, not covered by insurance, resulting from such litigation, would not materially affect the financial statements.

The Town receives some financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and may be subject to audit. Any disallowed expenditures resulting from such audits become a liability of the Town, although the Town expects that these amounts, if any, would be immaterial to the financial statements.

The COVID-19 outbreak has caused disruption to municipal operations and negatively impacted the Town's financial situation in various ways. This disruption is believed to be temporary, but there is uncertainty surrounding its duration and any potential future impacts on the Town's financial position. While the Commonwealth of Massachusetts has essentially level funded local aid for fiscal year 2021, it is unclear if any other revenue the Town receives from the state will be negatively impacted.

**Note 16. Implementation of new GASB Statements**

During fiscal year 2020, the Town implemented the following GASB pronouncements:

- GASB Statement #95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*, which was required to be implemented in fiscal year 2020. Due to COVID-19 restrictions, this Statement delayed the implementation date requirements of various GASB Statements and other guidance.



**Town of Merrimac, Massachusetts**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 16. Implementation of new GASB Statements (continued)**

In future fiscal years, the Town will implement the following GASB pronouncements:

- GASB Statement #84 – *Fiduciary Activities*, which is required to be implemented in fiscal year 2022. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #87 – *Leases*, which is required to be implemented in fiscal year 2023. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in fiscal year 2023. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, which is required to be implemented in fiscal year 2022. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #91 – *Conduit Debt Obligations*, which is required to be implemented in fiscal year 2024. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #92 – *Omnibus 2020*, which is required to be implemented in fiscal year 2021 or 2023, depending on the provision. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #93 – *Replacement of Interbank Offered Rates*, which is required to be implemented in fiscal year 2022. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #94 – *Public-Private and Public-Public Partnerships of Availability Payment Arrangements*, which is required to be implemented in fiscal year 2024. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #96 – *Subscription-Based Information Technology Arrangements*, which is required to be implemented in fiscal year 2023. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #97 – *Certain Component Unit Criteria, and accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which is required to be implemented in fiscal year 2022. The Town is currently evaluating the possible impact of this will have on its financial statements.

Note: The above implementation dates are based on the Town's fiscal year end of June 30<sup>th</sup>. Some differences may exist with the required implementation dates for the electric enterprise fund, which has a fiscal year end of December 31<sup>st</sup>.

**Town of Merrimac, Massachusetts**  
Required Supplementary Information  
Worcester Regional Retirement System

**Town of Merrimac's Proportionate Share of the System's Net Pension Liability**

	<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered payroll</u>	<u>Net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
December 31, 2019	2.499%	\$10,529,627	\$3,623,368	290.60%	55.46%
December 31, 2018	2.360%	\$9,969,699	\$3,200,358	311.52%	51.89%
December 31, 2017	2.458%	\$9,250,743	\$3,079,919	300.36%	55.40%
December 31, 2016	2.465%	\$9,499,256	\$3,066,691	309.76%	51.12%
December 31, 2015	2.410%	\$8,843,732	\$3,066,196	288.43%	51.00%
December 31, 2014	2.395%	\$8,216,535	\$2,947,906	278.72%	52.20%

**Town of Merrimac's Schedule of Contributions to the System**

	<u>Actuarially Determined Contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
June 30, 2020	\$904,792	\$904,792	\$0.00	\$3,623,368	24.97%
June 30, 2019	\$834,826	\$834,826	\$0.00	\$3,200,358	26.09%
June 30, 2018	\$806,361	\$806,361	\$0.00	\$3,079,919	26.18%
June 30, 2017	\$752,567	\$752,567	\$0.00	\$3,066,691	24.54%
June 30, 2016	\$704,032	\$704,032	\$0.00	\$3,066,196	22.96%
June 30, 2015	\$549,867	\$549,867	\$0.00	\$2,947,906	18.65%

The above schedules are required for ten years. Additional years will be presented as they become available.

See notes to the required supplementary information

**Town of Merrimac, Massachusetts**  
**Required Supplementary Information**  
**Schedules of Changes in Net OPEB Liability**  
**and Plan Fiduciary Net Position**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b><u>Total OPEB Liability (GASB 74)</u></b>				
Service cost	\$112,937	\$122,084	\$116,018	\$108,937
Interest on total OPEB liability	\$263,073	\$247,512	\$232,873	\$223,803
Changes in benefit terms	\$0	\$0	\$0	\$0
Difference between expected and actual plan experience	(\$114,330)	\$0	(\$13,775)	(\$39,114)
Changes in assumptions	(\$34,417)	\$0	\$0	\$0
Benefit payments, including refunds of member contributions	(\$115,239)	(\$126,682)	(\$105,602)	(\$214,993)
Net change in total OPEB liability	\$112,024	\$242,914	\$229,514	\$78,633
Total OPEB liability - beginning of year	\$3,991,046	\$3,748,132	\$3,518,618	\$3,439,985
Total OPEB liability - end of year	\$4,103,070	\$3,991,046	\$3,748,132	\$3,518,618

**Plan Fiduciary Net Position (GASB 74)**

Earnings from plan investments	\$42,844	\$82,253	\$51,876	\$67,393
Net investment income (loss)	\$42,844	\$82,253	\$51,876	\$67,393
Employer contributions	\$268,839	\$257,682	\$326,359	\$510,564
Benefit payments	(\$115,239)	(\$126,682)	(\$105,602)	(\$214,993)
Administrative expense	\$0	\$0	\$0	\$0
Net change in fiduciary plan net position	\$196,444	\$213,253	\$272,633	\$362,964
Plan fiduciary net position - beginning of year	\$1,601,667	\$1,388,414	\$1,115,781	\$752,817
Plan fiduciary net position - end of year	\$1,798,111	\$1,601,667	\$1,388,414	\$1,115,781
Net OPEB liability	\$2,304,959	\$2,389,379	\$2,359,718	\$2,402,837

These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

Differences between amounts above and amounts in the financial statements are due solely to the presentation of the Light Department as of December 31, 2018.

See notes to the Required Supplementary Information and to the Town's financial statement for a summary of significant actuarial methods and assumptions.

**Town of Merrimac, Massachusetts**  
Required Supplementary Information

**SCHEDULE OF CONTRIBUTIONS**

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Actuarially-determined contribution	\$ 282,591	\$ 293,889	\$ 285,690	\$ 302,154
Contributions in relation to the actuarially-determined contribution	(268,839)	(257,682)	(326,359)	(510,564)
Contribution deficiency (excess)	\$ 13,752	\$ 36,207	\$ (40,669)	\$ (208,410)
Covered-employee payroll	\$ 3,723,284	\$ 3,048,410	\$ 3,859,621	\$ 2,906,555
Contribution as a percentage of covered-employee payroll	7.22%	8.45%	8.46%	17.57%

**SCHEDULE OF INVESTMENT RETURNS**

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Annual money-weighted rate of return, net of investment expense	2.50%	5.54%	4.18%	7.94%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

Note: Differences between amounts above and amounts in the financial statements are due solely to the presentation of the Light Department as of the prior December 31st.

See notes to the Required Supplementary Information and to the Town's financial statement for a summary of significant actuarial methods and assumptions.

**Town of Merrimac, Massachusetts**  
**Notes to the Required Supplementary Information**  
**June 30, 2020**

**Note A – Pension Plan Schedules**

**A. Schedule of the Town's Proportionate Share of the Net Pension Liability**

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

**B. Schedule of Town's Contributions**

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

**C. Schedule of the Special Funding Amounts of the Net Pension Liabilities**

The Commonwealth of Massachusetts is a non-employer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

**D. Changes in Assumptions**

The following assumption changes were reflected in the January 1, 2020 actuarial valuation:

- Investment rate of return changed from 7.5% to 7.3%.
- Mortality tables were updated.

**E. Changes in Plan Provisions**

There were no plan provision changes in the January 1, 2020 actuarial valuation.

**Town of Merrimac, Massachusetts**  
**Notes to the Required Supplementary Information**  
**June 30, 2020**

**Note B – Other Post-Employment Schedules**

The Town administers a single-employer defined benefit healthcare plan (“The OPEB Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members.

**A. Schedule of Changes in the Town’s Net Other Postemployment Benefit Liability and Related Ratios**

The Schedule of Changes in the Town’s Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan’s total OPEB liability, changes in the Plan’s net position, and ending net OPEB liability. It also demonstrates the Plan’s net position as a percentage of the total liability and the Plan’s benefit liability as a percentage of covered employee payroll.

**B. Schedule of the Town’s Contributions**

The Schedule of the Town’s Contributions includes the Town’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

**C. Schedule of Investment Return**

The Schedule of Investment Return includes the money-weighted investment return on the Plan’s other postemployment assets, net of investment expense. The Town currently finances its other postemployment benefits (OPEB) on a combined pre-funded and pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 43.82%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**D. Changes in Assumptions**

The following assumption changes were reflected in the June 30, 2020 actuarial valuation:

- Investment rate of return changed from 6.5% to 6.75%.
- Mortality tables were updated.
- Long-term medical trend was changed from 5% to 4.5%

**E. Changes in Plan Provisions**

There were no plan provision changes in the July 1, 2019 actuarial valuation.

**TOWN OF MERRIMAC, MASSACHUSETTS**

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2020

	<u>Special Revenue</u>				
	<u>Grants</u>	<u>Other</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<b><u>Assets</u></b>					
Cash and cash equivalents	\$ (40,876)	1,420,355	819,868	80,037	2,279,384
Investments	-	-	-	444,399	444,399
Receivables:					
Departmental	-	1,305	-	-	1,305
Due from other governments	167,167	-	-	-	167,167
 Total assets	 \$ 126,291	 1,421,660	 819,868	 524,436	 2,892,255
 <b><u>Liabilities</u></b>					
Warrants and accounts payable	\$ 280	13,088	-	-	13,368
Accrued Payroll	8,023	8,906	-	-	16,929
Notes payable	-	-	-	-	-
 Total liabilities	 8,303	 21,994	 -	 -	 30,297
 <b><u>Deferred Inflows of Resources</u></b>					
Unavailable revenue	-	1,305	-	-	1,305
 <b><u>Fund balances</u></b>					
Nonspendable	-	-	-	367,117	367,117
Restricted	117,988	1,305,270	819,868	157,319	2,400,445
Assigned	-	93,091	-	-	93,091
Unassigned	-	-	-	-	-
 Total fund balances	 117,988	 1,398,361	 819,868	 524,436	 2,860,653
 Total liabilities, deferred inflows of resources and fund balances	 \$ 126,291	 1,421,660	 819,868	 524,436	 2,892,255

**TOWN OF MERRIMAC, MASSACHUSETTS**

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

## Nonmajor Governmental Funds

For the Year Ended June 30, 2020

	<u>Special Revenue</u>				
	<u>Grants</u>	<u>Other</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<b>Revenues:</b>					
Departmental charges for services	\$ -	112,834	-	6,000	118,834
Intergovernmental	1,079,455	7,675	-	-	1,087,130
Investment income	-	21	-	12,899	12,920
Other	-	347,160	-	-	347,160
	<u>1,079,455</u>	<u>467,690</u>	<u>-</u>	<u>18,899</u>	<u>1,566,044</u>
<b>Total revenues</b>	<b>1,079,455</b>	<b>467,690</b>	<b>-</b>	<b>18,899</b>	<b>1,566,044</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	412,773	355,806	221,362	-	989,941
Public safety	160,682	108,891	-	-	269,573
Public works	375,077	-	-	291	375,368
Human services	21,024	49,173	-	-	70,197
Recreation and culture	12,247	44,438	22,948	-	79,633
	<u>981,803</u>	<u>558,308</u>	<u>244,310</u>	<u>291</u>	<u>1,784,712</u>
<b>Total expenditures</b>	<b>981,803</b>	<b>558,308</b>	<b>244,310</b>	<b>291</b>	<b>1,784,712</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>97,652</b>	<b>(90,618)</b>	<b>(244,310)</b>	<b>18,608</b>	<b>(218,668)</b>
<b>Other financing sources (uses):</b>					
Proceeds of bonds	-	-	1,753,000	-	1,753,000
Bond premium proceeds	-	749,908	-	-	749,908
Operating transfers in	-	-	-	-	-
Operating transfers out	(25,508)	(380,433)	-	-	(405,941)
	<u>(25,508)</u>	<u>369,475</u>	<u>1,753,000</u>	<u>-</u>	<u>2,096,967</u>
<b>Total other financing sources (uses)</b>	<b>(25,508)</b>	<b>369,475</b>	<b>1,753,000</b>	<b>-</b>	<b>2,096,967</b>
<b>Net changes in fund balances</b>	<b>72,144</b>	<b>278,857</b>	<b>1,508,690</b>	<b>18,608</b>	<b>1,878,299</b>
<b>Fund balance, beginning of year</b>	<b>45,844</b>	<b>1,119,504</b>	<b>(688,822)</b>	<b>505,828</b>	<b>982,354</b>
<b>Fund balance, end of year</b>	<b>\$ 117,988</b>	<b>1,398,361</b>	<b>819,868</b>	<b>524,436</b>	<b>2,860,653</b>