

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF MERRIMAC, MASSACHUSETTS

Report on Examination of the
Basic Financial Statements
and Additional Information
Year Ended June 30, 2021



TOWN OF MERRIMAC, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Merrimac, Massachusetts

Report on the Financial Statements

We 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, (the "Town") as of and for the year ended June 30, 2021 (except for the Merrimac Municipal Light Department which is as of December 31, 2020), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Merrimac Municipal Light Department, a component unit, which represent approximately 46%, 50% and 66%, respectively, of the total assets, net position and revenues of the Town's business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for this blended presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our 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, as of June 30, 2021, (except for the Merrimac Municipal Light Department, which is as of December 31, 2020) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2022, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
March 21, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Merrimac, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

Financial Highlights

- The assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by nearly \$31.4 million (*total net position*).
- The Town's total net position increased by nearly \$1.6 million year-over-year.
- The Town continues to report a deficit in its unrestricted net position in the governmental activities. This deficit exceeded \$5.0 million at June 30, 2021. This deficit is due primarily to the recording of liabilities associated with net OPEB and net pension liabilities, which totaled over \$8.4 million at June 30, 2021 in the aggregate. These liabilities are applied against the Town's unrestricted net position and represent actuarial estimates of future postemployment benefits payable to the Town for retiree medical insurance and pensions.
- At June 30, 2021, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$4.8 million, which was over \$1.7 million lower than the prior year due primarily to significant spending in the Town's capital projects fund.
- In the governmental funds financial statements, the Town reported an approximate \$1.7 million unassigned fund balance at June 30, 2021. The positive unassigned fund balance of approximately \$2.4 million in the Town's general fund was offset by reported deficits in the Town's capital projects and nonmajor governmental funds.
- At June 30, 2021, the unassigned fund balance for the general fund was approximately 13% of fiscal year 2021 total general fund expenditures and the total general fund balance approached 21% of that figure.
- The Town's total long-term debt decreased nearly \$850,000 in fiscal year 2021 to approximately \$11.7 million at June 30, 2021. The Town did not issue any new long-term debt in fiscal year 2021. Town maintains approximately \$670,000 in temporary borrowings.
- The Town expects to receive approximately \$2.1 million from the federal government under the Coronavirus State & Local Recovery Funds of the American Rescue Plan Act in a series of installments that will begin in fiscal year 2022. The use of these monies is less limited than the funding the Town received under the CARES Act and based on current guidance must be obligated by December 31, 2024 and expended by December 31, 2026.

Overview of the Financial Statements

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

Government-Wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all the Town's assets, liabilities and deferred inflows/outflows of resources, with the end result 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 or deteriorating.

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

Both government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits, and debt service. The Town reports the enterprise fund activities of its water, sewer and electric department as business-type activities.

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

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form (e.g., inventory or prepaid items) or (b) legally or contractually required to be maintained intact.
- Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed – amounts constrained by a government using its highest level of decision-making authority.
- Assigned – amounts a government intends to use for a particular purpose.
- Unassigned – amounts that are not constrained at all will be reported in the general fund or in other major governmental funds if negative.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Reconciliations are provided in the basic financial statements to help the reader understand the differences, as indicated within the table of contents.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes in this report.

Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town utilizes the proprietary funds to report activities of its enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water, sewer and electric department activities.

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 statement because the resources of those funds are not available to support the Town’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town’s progress in funding its obligations to provide pension and other postemployment benefits to its employees, Schedule of the Commonwealth’s Collective Share of the Massachusetts Teacher’s Retirement System Net Pension Liability, as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund and notes to this schedule.

Government-Wide Financial Analysis

Condensed comparative statements of net position for the two most recent fiscal years were as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2021	2020	2021	2020	2021	2020
<u>Assets</u>						
Current and other assets	\$ 8,041,928	\$ 8,202,634	\$ 10,513,951	\$ 9,506,489	\$ 18,555,879	\$ 17,709,123
Capital assets, net	24,948,732	23,230,977	16,451,117	16,725,673	41,399,849	39,956,650
Total assets	32,990,660	31,433,611	26,965,068	26,232,162	59,955,728	57,665,773
Deferred Outflows of Resources	921,035	1,060,534	697,203	643,741	1,618,238	1,704,275
<u>Liabilities</u>						
Long-term liabilities	19,086,365	18,766,183	7,637,728	7,571,729	26,724,093	26,337,912
Other liabilities	1,733,671	1,719,194	475,692	723,608	2,209,363	2,442,802
Total liabilities	20,820,036	20,485,377	8,113,420	8,295,337	28,933,456	28,780,714
Deferred Inflows of Resources	878,581	548,959	369,709	201,329	1,248,290	750,288
<u>Net Position</u>						
Net investment in capital assets	15,550,952	13,730,967	13,028,294	12,856,482	28,579,246	26,587,449
Restricted	1,663,363	3,088,181	3,709,700	3,330,910	5,373,063	6,419,091
Unrestricted	(5,001,237)	(5,359,339)	2,441,148	2,191,845	(2,560,089)	(3,167,494)
Net Position	\$ 12,213,078	\$ 11,459,809	\$ 19,179,142	\$ 18,379,237	\$ 31,392,220	\$ 29,839,046

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by nearly \$31.4 million (*total net position*). This reflects an increase over nearly \$1.6 million.

The largest portion (approximately \$28.6 million) of the Town's total net position reflects its net investment in capital assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional significant portion of the Town's total net position (approximately \$5.4 million) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of *unrestricted net position* is in deficit by approximately \$2.6 million. The Town continues to report a deficit in its unrestricted net position, which is entirely due to recognition of approximately \$12.5 million in long-term liabilities associated with net pension and net OPEB liabilities reported in its governmental and business-type activities.

Condensed comparative statements of activities for the two most recent fiscal years were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 1,436,875	\$ 799,039	\$ 7,837,297	\$ 7,414,735	\$ 9,274,172	\$ 8,213,774
Operating grants and contributions	1,144,645	1,080,242	-	-	1,144,645	1,080,242
Capital grants and contributions	474,166	375,077	220,172	-	694,338	375,077
General revenues:						
Property taxes	15,875,500	13,734,282	-	-	15,875,500	13,734,282
Intergovernmental	912,237	929,908	-	-	912,237	929,908
Other	1,167,898	1,197,707	369,591	672,328	1,537,489	1,870,035
Total Revenues	21,011,321	18,116,255	8,427,060	8,087,063	29,438,381	26,203,318
<u>Expenses</u>						
General government	2,670,727	2,158,301	-	-	2,670,727	2,158,301
Public safety	2,911,074	3,631,576	-	-	2,911,074	3,631,576
Education	10,831,641	9,721,028	-	-	10,831,641	9,721,028
Public works	2,133,068	1,618,172	-	-	2,133,068	1,618,172
Health and human services	831,181	675,834	-	-	831,181	675,834
Culture and recreation	637,862	510,856	-	-	637,862	510,856
Interest expense	242,499	248,450	-	-	242,499	248,450
Utilities	-	-	7,627,155	6,847,592	7,627,155	6,847,592
Total Expenses	20,258,052	18,564,217	7,627,155	6,847,592	27,885,207	25,411,809
Change in Net Position Before Transfers	753,269	(447,962)	799,905	1,239,471	1,553,174	791,509
Transfers	-	21,141	-	(21,141)	-	-
Change in Net Position	753,269	(426,821)	799,905	1,218,330	1,553,174	791,509
Net Position - Beginning of Year	11,459,809	11,886,630	18,379,237	17,160,907	29,839,046	29,047,537
Net position - End of Year	<u>\$ 12,213,078</u>	<u>\$ 11,459,809</u>	<u>\$ 19,179,142</u>	<u>\$ 18,379,237</u>	<u>\$ 31,392,220</u>	<u>\$ 29,839,046</u>

Governmental Activities – Total revenues increased nearly \$2.9 million year-over-year. This increase was due primarily to an approximate \$2.1 million increase property tax revenues coupled with an increase of over \$0.6 million in charges for services.

The Town's largest revenue source is from property taxes, which represented nearly 76% of both fiscal year 2021 and 2020 total revenues. No other revenues were greater than 10% of total revenues in fiscal years 2021 or 2020.

Education expenses continue to represent the largest expense for the Town. Education expenses represented approximately 53% of total 2021 expenses versus 52% in the prior year. Public safety, general government and public works represented approximately 14%, 13% and 11%, respectively, of total 2021 expenses; these percentages were relatively consistent with the prior year. No other expense categories were greater than 10% of fiscal years 2021 or 2020 total expenses.

Governmental Funds Financial Analysis

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, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the Town’s governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$4.8 million. This represents a decrease of over \$1.7 million from the prior year.

General Fund

The general fund is the chief operating fund of the Town. The total fund balance in the general fund increased nearly \$0.4 million in fiscal year 2021. This increase was due to positive budgetary performance, as illustrated in the budget to actual required supplementary schedule included in these basic financial statements.

At June 30, 2021, the unassigned fund balance of the general fund was approximately \$2.4 million, while the total fund balance in the general fund exceeded \$3.7 million. As a measure of the general fund’s liquidity, it may be useful to compare the unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 13% of total fiscal year 2021 general fund expenditures, while the total fund balance represents approximately 21% of that same amount.

Capital Projects Fund

The capital projects fund is used to account for the construction of the Town’s building and infrastructure capital assets. The capital projects fund expended over \$1.9 million in fiscal year 2021, primarily for exterior repairs to the Town Hall, police station construction and fire department equipment. The total fund balance in the capital projects fund decreased nearly \$1.6 million in fiscal year 2021.

The Town reports \$522,000 in temporary borrowings in the form of a State House note in the capital projects fund that was used to purchase public safety and public works vehicles. The Town expects to permanently finance these projects through general obligation bond issuances in the future, which will cure the current deficit in the fund’s unassigned fund balance of approximately \$516,000.

Nonmajor Governmental Funds

The nonmajor governmental funds are comprised of the remaining governmental funds not reported in the four previously described major funds. In fiscal year 2021, the fund balance in the Town’s nonmajor governmental funds decreased approximately \$0.5 million. The Town reports approximately \$374,000 as nonspendable (endowment corpus) and nearly \$1.3 million as restricted. The Town’s deficit in its COVID-19 related grants is reported as unassigned in these basic financial statements.

Fiduciary Fund – The Town’s fiduciary fund is comprised of the Town’s OPEB trust fund. The OPEB Trust increased over \$0.6 million due to contributions in excess of the pay-as-you-go expense funded by the Town of over \$160,000 and net investment income of nearly \$479,000. The current balance in the account is approximately \$2.4 million. The Town’s third-party actuary estimates that the OPEB trust fund is nearly 56% funded at June 30, 2021.

General Fund Budgetary Highlights

Differences between the original and the final amended budget were not significant. A budget to actual schedule for the general fund has been provided as required supplementary information.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets as of June 30, 2021 totaled nearly \$41.4 million, net of accumulated depreciation. Investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects an increase of over \$1.4 million year-over-year as current year capital asset additions exceeded depreciation expense.

Additional information on the Town capital assets can be found in notes to these basic financial statements.

Long-Term Debt – At the end of the current fiscal year, the Town had total debt outstanding of approximately \$11.7 million. The Town’s total long-term debt decreased over \$0.8 million during the fiscal year as a result of regular scheduled maturities. The Town did not issue any long-term debt instruments in fiscal year 2021.

Standard & Poor's Financial Services LLC (“S&P”) assigned the Town an AA+ credit rating, which signifies that the Town’s general obligation bonds are of investment grade, high quality and very low credit risk. Furthermore, this is the second highest credit S&P issues on long-term debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the Town is approximately \$50.3 million, which is significantly in excess of the Town’s outstanding general obligation debt.

Additional information on the Town’s debt can be found in notes to these basic financial statements.

Economic Factors and Next Year’s Budgets and Rates

- State aid for fiscal year 2022 is expected to approach \$1,110,000.
- The Town enters fiscal year 2022 with the following financial reserves:
 - Certified free cash of approximately \$809,000;
 - General stabilization funds of approximately \$988,000; and
 - Special stabilization funds of approximately \$453,000.
- The Town’s real estate tax base is made up predominantly of residential taxes, which in 2021 are approximately 96% of the entire levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2.5% of the previous year’s tax levy. The Town typically taxes at or near its levy limit annually.

- Property values within the Town have been rising steadily. Many neighborhoods' property values are at all-time highs.

Each of these factors were considered in preparing the Town's budget for the 2022 fiscal year, which was adopted at Town Meeting in April 2021. The Town set its fiscal year 2022 tax rate on November 19, 2021.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Finance Director, 4 School Street, Merrimac, Massachusetts 01860.

TOWN OF MERRIMAC, MASSACHUSETTS

**STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 2,477,613	\$ 4,592,729	\$ 7,070,342
Investments	3,320,913	3,418,073	6,738,986
Receivables, net of allowance for uncollectibles:			
Property taxes	940,138	-	940,138
User fees	-	1,933,089	1,933,089
Betterments	-	105,824	105,824
Departmental and other	305,401	-	305,401
Intergovernmental	639,271	-	639,271
Tax foreclosures	358,592	-	358,592
Inventory	-	78,965	78,965
Prepaid items	-	33,400	33,400
Purchased power working capital	-	330,051	330,051
Capital assets, not being depreciated	2,905,400	361,733	3,267,133
Capital assets, net of depreciation	22,043,332	16,089,384	38,132,716
Net OPEB asset	-	21,820	21,820
Total Assets	32,990,660	26,965,068	59,955,728
Deferred Outflows of Resources:			
Related to net pension liability	815,706	684,963	1,500,669
Related to net other postemployment benefits liability	105,329	12,240	117,569
Total Deferred Outflows of Resources	921,035	697,203	1,618,238
Liabilities:			
Current liabilities:			
Warrants and accounts payable	881,996	332,043	1,214,039
Retainage payable	32,938	-	32,938
Accrued interest expense	83,982	48,932	132,914
Other liabilities	64,855	-	64,855
Unearned revenues	-	94,717	94,717
Short-term notes payable	669,900	-	669,900
Noncurrent liabilities:			
Due in one year or less	773,551	454,873	1,228,424
Due in more than one year	18,312,814	7,182,855	25,495,669
Total Liabilities	20,820,036	8,113,420	28,933,456
Deferred Inflows of Resources:			
Related to net pension liability	585,228	284,031	869,259
Related to net other postemployment benefits liability	293,353	85,678	379,031
Total Deferred Inflows of Resources	878,581	369,709	1,248,290
Net Position:			
Net investment in capital assets	15,550,952	13,028,294	28,579,246
Restricted for:			
Nonexpendable permanent funds	373,717	-	373,717
Expendable permanent funds	303,299	-	303,299
Depreciation	-	3,709,700	3,709,700
Other purposes	986,347	-	986,347
Unrestricted	(5,001,237)	2,441,148	(2,560,089)
Total Net Position	\$ 12,213,078	\$ 19,179,142	\$ 31,392,220

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>							
General government	\$ 2,670,727	\$ 477,912	\$ 721,948	\$ -	\$ (1,470,867)		\$ (1,470,867)
Public safety	2,911,074	760,466	39,167	-	(2,111,441)		(2,111,441)
Education	10,831,641	-	47,504	-	(10,784,137)		(10,784,137)
Public works	2,133,068	181,633	114,434	274,166	(1,562,835)		(1,562,835)
Health and human services	831,181	12,464	179,397	-	(639,320)		(639,320)
Culture and recreation	637,862	4,400	42,195	200,000	(391,267)		(391,267)
Debt service	242,499	-	-	-	(242,499)		(242,499)
Total Governmental Activities	20,258,052	1,436,875	1,144,645	474,166	(17,202,366)		(17,202,366)
<u>Business-Type Activities:</u>							
Water	1,253,073	1,321,899	-	72,400		\$ 141,226	141,226
Sewer	1,292,708	1,362,611	-	-		69,903	69,903
Electric Light Department	5,081,374	5,152,787	-	147,772		219,185	219,185
Total Business-Type Activities	7,627,155	7,837,297	-	220,172		430,314	430,314
Total Primary Government	\$ 27,885,207	\$ 9,274,172	\$ 1,144,645	\$ 694,338		430,314	(16,772,052)
<u>General Revenues:</u>							
					15,875,500	-	15,875,500
					1,178,898	-	1,178,898
					912,237	-	912,237
					43,855	-	43,855
					121,691	369,591	491,282
					(176,546)	-	(176,546)
Total General Revenues					17,955,635	369,591	18,325,226
Change in Net Position					753,269	799,905	1,553,174
<u>Net Position:</u>							
Beginning of Year					11,459,809	18,379,237	29,839,046
End of Year					\$ 12,213,078	\$ 19,179,142	\$ 31,392,220

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021**

	General Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 1,256,619	\$ 236,297	\$ 984,697	\$ 2,477,613
Investments	2,826,435	-	494,478	3,320,913
Receivables, net of allowance				
Property taxes	940,138	-	-	940,138
Excise taxes	160,390	-	-	160,390
Departmental and other	126,804	-	18,207	145,011
Intergovernmental	272,208	-	367,063	639,271
Tax foreclosures	358,592	-	-	358,592
Total Assets	<u>5,941,186</u>	<u>236,297</u>	<u>1,864,445</u>	<u>8,041,928</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 5,941,186</u></u>	<u><u>\$ 236,297</u></u>	<u><u>\$ 1,864,445</u></u>	<u><u>\$ 8,041,928</u></u>
Liabilities:				
Warrants and accounts payable	\$ 572,763	\$ 125,265	\$ 183,968	\$ 881,996
Retained payable	-	32,938	-	32,938
Other liabilities	63,807	-	1,048	64,855
Short-term notes payable	-	522,000	147,900	669,900
Total Liabilities	<u>636,570</u>	<u>680,203</u>	<u>332,916</u>	<u>1,649,689</u>
Deferred Inflows of Resources:				
Unearned revenue - property taxes	940,138	-	-	940,138
Unearned revenue - excise taxes	160,390	-	-	160,390
Unearned revenue - departmental and other	485,396	-	9,946	495,342
Total Deferred Inflows of Resources	<u>1,585,924</u>	<u>-</u>	<u>9,946</u>	<u>1,595,870</u>
Fund Balances:				
Nonspendable	-	-	373,717	373,717
Restricted	-	71,763	1,289,646	1,361,409
Committed	1,354,061	-	-	1,354,061
Assigned	6,053	-	-	6,053
Unassigned	2,358,578	(515,669)	(141,780)	1,701,129
Total Fund Balances	<u>3,718,692</u>	<u>(443,906)</u>	<u>1,521,583</u>	<u>4,796,369</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 5,941,186</u></u>	<u><u>\$ 236,297</u></u>	<u><u>\$ 1,864,445</u></u>	<u><u>\$ 8,041,928</u></u>

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2021

Total Governmental Fund Balances		\$ 4,796,369
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		24,948,732
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the governmental funds.		1,595,870
Deferred outflows and inflows of resources to be recognized in future fiscal years are not available resources and, therefore, are not reported in the funds:		
Deferred outflows related to net pension liability	815,706	
Deferred inflows related to net pension liability	(585,228)	
Deferred outflows related to net other postemployment benefits liability	105,329	
Deferred inflows related to net other postemployment benefits liability	(293,353)	
Net effect of reporting deferred outflows and inflows of resources		42,454
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds:		
Bonds and notes payable	(8,410,000)	
Unamortized bond premiums	(664,757)	
Capital lease obligations	(499,640)	
Landfill postclosure	(936,000)	
Compensated absences	(171,743)	
Net pension liability	(6,639,484)	
Net other postemployment benefits liability	(1,764,741)	
Net effect of reporting long-term liabilities		(19,086,365)
Net Position of Governmental Activities		\$ 12,213,078

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2021**

	General Fund	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Real estate and personal property taxes, net	\$ 15,155,459	\$ -	\$ -	\$ 15,155,459
Intergovernmental	1,060,808	-	1,220,289	2,281,097
Motor vehicle and other excises	1,134,634	-	-	1,134,634
Departmental and other revenue	822,677	-	474,791	1,297,468
License and permits	80,141	-	-	80,141
Penalties and interest on taxes	43,855	-	-	43,855
Fines and forfeitures	18,098	-	-	18,098
Investment income	71,156	-	50,535	121,691
Contributions and donations	-	-	249,951	249,951
Total Revenues	<u>18,386,828</u>	<u>-</u>	<u>1,995,566</u>	<u>20,382,394</u>
Expenditures:				
Current:				
General government	1,247,249	889,400	1,164,434	3,301,083
Public safety	2,067,920	859,248	361,561	3,288,729
Education	10,615,614	-	-	10,615,614
Public works	1,096,910	194,440	315,682	1,607,032
Health and human services	503,723	-	84,638	588,361
Culture and recreation	311,744	-	227,690	539,434
Pensions and other fringes	1,172,335	-	-	1,172,335
State and county tax assessments	106,566	-	-	106,566
Debt service:				
Principal	590,370	-	-	590,370
Interest	313,857	-	-	313,857
Total Expenditures	<u>18,026,288</u>	<u>1,943,088</u>	<u>2,154,005</u>	<u>22,123,381</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>360,540</u>	<u>(1,943,088)</u>	<u>(158,439)</u>	<u>(1,740,987)</u>
Other Financing Sources (Uses):				
Transfers in	2,800	360,000	2,037	364,837
Transfers out	(2,037)	-	(362,800)	(364,837)
Total Other Financing Sources (Uses)	<u>763</u>	<u>360,000</u>	<u>(360,763)</u>	<u>-</u>
Change in Fund Balances	361,303	(1,583,088)	(519,202)	(1,740,987)
Fund Balances - Beginning of year	3,357,389	1,139,182	2,040,785	6,537,356
Fund Balances - End of year	<u><u>\$ 3,718,692</u></u>	<u><u>\$ (443,906)</u></u>	<u><u>\$ 1,521,583</u></u>	<u><u>\$ 4,796,369</u></u>

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ (1,740,987)**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the net amount of depreciation expense in excess of capital outlay. The amounts are represented here as reconciling items:

Capital outlays	\$ 2,784,794	
Depreciation expense	(1,067,039)	
Net effect of reporting capital assets		1,717,755

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:

Payment of capital lease obligation	135,370	
Amortization of premium on bonds and notes	57,396	
Principal payments of debt	455,000	
Net effect of reporting long-term debt		647,766

In the Statement of Activities, interest is accrued on outstanding long-term debt; whereas in governmental funds interest is not reported until due. The net amount presented here as a reconciling item represents the difference in accruals between this year and the prior year.

13,962

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds

805,473

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Compensated absences, net	54,180	
Landfill postclosure	(651,000)	
Pension benefits	(137,897)	
Other postemployment benefits	44,017	
Net effect of reporting long-term liabilities		(690,700)

Change in Net Position of Governmental Activities **\$ 753,269**

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Business-Type Activities			
	Water Fund	Sewer Fund	Electric Light (a)	Totals
Assets:				
Current assets:				
Cash and cash equivalents	\$ 587,473	\$ 1,164,205	\$ 2,841,051	\$ 4,592,729
Investments	114,968	325,516	2,977,589	3,418,073
User fees, net of allowance	553,700	505,172	877,945	1,936,817
Inventory	-	-	78,965	78,965
Prepaid items	-	-	33,400	33,400
Purchased power working capital	-	-	330,051	330,051
Total current assets	<u>1,256,141</u>	<u>1,994,893</u>	<u>7,139,001</u>	<u>10,390,035</u>
Noncurrent assets:				
Betterments receivable	-	102,096	-	102,096
Capital assets, not being depreciated	40,162	209,479	112,092	361,733
Capital assets, net of depreciation	5,325,681	5,594,221	5,169,482	16,089,384
Net other postemployment benefits asset	-	21,820	-	21,820
Total noncurrent assets	<u>5,365,843</u>	<u>5,927,616</u>	<u>5,281,574</u>	<u>16,575,033</u>
Total Assets	<u>6,621,984</u>	<u>7,922,509</u>	<u>12,420,575</u>	<u>26,965,068</u>
Deferred Outflows of Resources:				
Related to net pension liability	88,972	119,712	476,279	684,963
Related to net other postemployment benefits liability	3,047	2,799	6,394	12,240
Total Deferred Outflows of Resources	<u>92,019</u>	<u>122,511</u>	<u>482,673</u>	<u>697,203</u>
Liabilities:				
Current liabilities:				
Warrants and accounts payable	70,136	28,552	233,355	332,043
Customer deposits	-	-	94,717	94,717
Accrued interest expense	25,268	1,540	22,124	48,932
Current portion of long-term debt	185,538	153,477	75,000	414,015
Compensated absences	749	11,862	28,247	40,858
Total current liabilities	<u>281,691</u>	<u>195,431</u>	<u>453,443</u>	<u>930,565</u>
Noncurrent liabilities:				
Long-term debt	2,261,910	322,290	450,000	3,034,200
Compensated absences	1,392	22,028	15,866	39,286
Net other postemployment benefits liability	104,907	-	199,942	304,849
Net pension liability	724,196	974,399	2,105,925	3,804,520
Total noncurrent liabilities	<u>3,092,405</u>	<u>1,318,717</u>	<u>2,771,733</u>	<u>7,182,855</u>
Total Liabilities	<u>3,374,096</u>	<u>1,514,148</u>	<u>3,225,176</u>	<u>8,113,420</u>
Deferred Inflows of Resources:				
Related to net pension liability	63,833	85,887	134,311	284,031
Related to net other postemployment benefits liability	25,353	48,466	11,859	85,678
Total Deferred Inflows of Resources	<u>89,186</u>	<u>134,353</u>	<u>146,170</u>	<u>369,709</u>
Net Position:				
Net investment in capital assets	2,943,787	5,327,933	4,756,574	13,028,294
Restricted for depreciation	-	-	3,709,700	3,709,700
Unrestricted	306,934	1,068,586	1,065,628	2,441,148
Total Net Position	<u>\$ 3,250,721</u>	<u>\$ 6,396,519</u>	<u>\$ 9,531,902</u>	<u>\$ 19,179,142</u>

(a) As of December 31, 2020.

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021**

	Business-Type Activities			
	Water Fund	Sewer Fund	Electric Light (a)	Totals
Operating Revenues:				
Usage charges	\$ 1,202,309	\$ 1,165,959	\$ 5,142,075	\$ 7,510,343
Other operating revenues	119,590	196,652	10,712	326,954
Total Operating Revenues	1,321,899	1,362,611	5,152,787	7,837,297
Operating Expenses:				
Operating costs	923,074	929,028	4,716,129	6,568,231
Depreciation	272,599	345,096	343,282	960,977
Total Operating Expenses	1,195,673	1,274,124	5,059,411	7,529,208
Total Operating Income	126,226	88,487	93,376	308,089
Nonoperating Income (Expenses):				
Interest income	368	1,169	368,054	369,591
Interest expense	(57,400)	(18,584)	(21,963)	(97,947)
Total Nonoperating Revenues (Expenses)	(57,032)	(17,415)	346,091	271,644
Income Before Capital Contributions	69,194	71,072	439,467	579,733
Capital contributions	72,400	-	147,772	220,172
Total Capital Contributions	72,400	-	147,772	220,172
Change in Net Position	141,594	71,072	587,239	799,905
Net Position - Beginning of year	3,109,127	6,325,447	8,944,663	18,379,237
Net Position - End of year	<u>\$ 3,250,721</u>	<u>\$ 6,396,519</u>	<u>\$ 9,531,902</u>	<u>\$ 19,179,142</u>

(a) As of and for the year ended December 31, 2020.

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

	Business-Type Activities			
	Water Fund	Sewer Fund	Electric Light (a)	Totals
Cash Flows from Operating Activities:				
Receipts from users	\$ 1,285,958	\$ 1,359,600	\$ 4,942,316	\$ 7,587,874
Payments to vendors	(430,798)	(398,192)	(3,594,922)	(4,423,912)
Payments to employees	(439,882)	(537,326)	(894,493)	(1,871,701)
Net Cash Provided by Operating Activities	415,278	424,082	452,901	1,292,261
Cash Flows from Noncapital Related Financing Activities:				
Transfers out	-	-	(20,576)	(20,576)
Net Cash Used in Noncapital Related Financing Activities	-	-	(20,576)	(20,576)
Cash Flows from Capital and Related Financing Activities:				
Capital contribution	72,400	-	147,772	220,172
Acquisition and construction of capital assets	(138,376)	(298,882)	(249,163)	(686,421)
Principal payments on long-term debt	(183,579)	(162,397)	(75,000)	(420,976)
Interest paid	(59,079)	(20,620)	(23,250)	(102,949)
Net Cash Used in Capital and Related Financing Activities	(308,634)	(481,899)	(199,641)	(990,174)
Cash Flows from Investing Activities:				
Investment income	368	1,169	368,054	369,591
Reinvestment of investments, net	(114,968)	(325,516)	(275,929)	(716,413)
Net Cash Provided by Investing Activities	(114,600)	(324,347)	92,125	(346,822)
Change in Cash and Cash Equivalents	(7,956)	(382,164)	324,809	(65,311)
Cash and Cash Equivalents:				
Beginning of year	595,429	1,546,369	2,516,242	4,658,040
End of year	<u>\$ 587,473</u>	<u>\$ 1,164,205</u>	<u>\$ 2,841,051</u>	<u>\$ 4,592,729</u>
Reconciliation of Operating Income to Net Cash Provided Operating Activities:				
Operating Income	\$ 126,226	\$ 88,487	\$ 93,376	\$ 308,089
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:				
Depreciation	272,599	345,096	343,282	960,977
Changes in assets, deferred outflows (inflows) of resources and liabilities:				
Receivables and other current assets	(35,941)	(3,011)	(275,012)	(313,964)
Warrants payable and other current liabilities	41,438	(10,635)	199,039	229,842
Accrued and deferred benefits	10,956	4,145	92,216	107,317
Net Cash Provided By Operating Activities	<u>\$ 415,278</u>	<u>\$ 424,082</u>	<u>\$ 452,901</u>	<u>\$ 1,292,261</u>

(a) As of and for the year ended December 31, 2020.

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>OPEB Trust Fund</u>
Assets:	
Cash and cash equivalents	\$ 12,051
Investments (at fair value):	
Mutual funds - fixed income	567,478
Mutual funds - equity	245,496
Common stock - equity	<u>1,612,096</u>
Total Investments	<u>2,425,070</u>
Total Assets	<u>2,437,121</u>
Liabilities:	
Accounts payable and accrued expenses	<u>-</u>
Total Liabilities	<u>-</u>
Net Position:	
Restricted for other postemployment benefits	<u>-</u>
Total Net Position	<u><u>\$ 2,437,121</u></u>

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

	<u>OPEB Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 273,175
Total contributions	<u>273,175</u>
Investment income:	
Interest and dividends	2,293
Net appreciation in fair value of investments	487,569
Less investment management fees	<u>(11,298)</u>
Net investment earnings	<u>478,564</u>
Total Additions	<u>751,739</u>
Deductions:	
Benefit payments to retirees and beneficiaries	<u>112,729</u>
Total Deductions	<u>112,729</u>
Change in Net Position	639,010
Net Position - Beginning of Year	<u>1,798,111</u>
Net Position - Ending of Year	<u><u>\$ 2,437,121</u></u>

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

TOWN OF MERRIMAC, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

I. Summary of Significant Accounting Policies

The accompanying financial statements of the Town of Merrimac (the “Town”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (“GASB”), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town.

A. Reporting Entity

The Town is located in Essex County, approximately forty miles north of Boston, Massachusetts and bordering the State of New Hampshire. Merrimac was incorporated as a town in 1876.

The Town is governed by an elected three-member Board of Selectmen. Members of the Board of Selectmen serve three-year staggered terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, rubbish disposal, public education in grades kindergarten to twelve through a regional school district, street maintenance, and parks and recreational facilities. Water, sewer and electric services are also provided to the Town’s residents through enterprise funds established for these purposes.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

The Merrimac Municipal Light Department (the “Electric Department” or “Electric Light”), which provides electrical services to the Town’s inhabitants, is required to be included as a component unit of the Town. The Electric Department accounts for its operations on a calendar year basis. The net position and results of Electric Department’s operations as of and for the year ended December 31, 2020 have been included in the Town’s proprietary funds financial statements. The Electric Department issued stand-alone audited financial statements from another auditor, which can be obtained from the Electric Department. The Electric Department is located at 10 West Man Street, Merrimac, Massachusetts 01860.

Joint Ventures – The Pentucket Regional School District is a joint venture between the Town and the towns of Groveland and West Newbury. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2021, the Town’s assessment was \$9,563,633. There is no equity interest reported in these financial statements for this joint venture. Complete audited financial statements for this joint venture can be obtained directly through the Superintendent’s Office, 22 Main Street, West Newbury, Massachusetts 01985.

In addition, the Town is a member community of the Whittier Regional Vocational Technical High School. This joint venture assesses each of the eleven member communities its share of the operational and debt service costs based on student population and other factors. In fiscal year 2021, the Town was assessed \$852,389. There is no equity interest reported in these financial statements for this joint venture. Complete audited financial statements for this school district can be obtained directly through the Superintendent's Office, 115 Amesbury Line Road, Haverhill, Massachusetts 01830.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *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.

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual government funds are reported as separate columns in the governmental funds financial statements. Nonmajor governmental funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to

meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The effect of material interfund activity has been removed from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e., measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In the first, monies must be expended for a specific purpose or project before any amounts will be paid; therefore, revenues are recognized as expenditures are incurred. In the second, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the “Commonwealth”).

The Town considers property tax revenues to be available if they are both material and collected within sixty days after the end of the fiscal year. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The Electric Department’s rates are proposed by the Electric Department and approved by the Board of Electric Commissioners. The rates may be changed once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities (“DPU”). While the DPU exercises general supervisory authority over the Electric Department, rates are not subject to DPU approval. Rates must be set such that net earnings from operations do not exceed 8% of the cost of the utility plant.

The Town reports the following major governmental funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Capital Projects Fund – is used to account for the purchase or construction of the Town’s capital assets.

Nonmajor Governmental Funds – consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Permanent Funds – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports its water, sewer and electric light activities as major proprietary funds.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity for others that may not be used for governmental programs.

The Town reports its other postemployment benefits trust fund in its fiduciary funds. The other postemployment benefits trust fund is used to accumulate funds for future payments of other postemployment benefits, or OPEB, for retirees such as health and life insurance.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

Deposits and Investments – The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the Town's best estimate of what market participants would use in pricing the investment at the measurement date.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent semiannually and are due on November 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes to the statutory rate per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible accounts.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and governmental fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g., roads, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than one year. The costs 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 (excluding land and construction in-progress) are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	15 to 40 years
Machinery and equipment	3 to 10 years
Vehicles	5 to 10 years
Infrastructure	15 to 100 years

Additionally, the statutory provision for depreciation of Electric Department utility plant is computed on the straight-line basis at 3% of the cost of plant in service at the beginning of the year, exclusive of land and land rights, which the Electric Department has consistently used. This method approximates GAAP based on the average age of the utility plant assets and was approved by the DPU.

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as transfers, net.

Investment Income – Exclusive of the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds may be voluntarily assigned to the general fund.

Compensated Absences – Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state law and executive policies. Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred in the government-wide financial statements. Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon employee retirements and resignations in the governmental fund's financial statements.

Unearned Revenues – Amounts collected in advance from federal and state grants are reported as unearned revenues if material.

Long-Term Debt – Long-term debt is reported as liabilities in the government-wide statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method if material. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources in its government-wide financial statements relative to other postemployment and pension-related transactions. The Town expects to recognize the reported deferred outflows of resources relative to these personnel-related transactions over the next five years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows of resources in its government-wide financial statements relative to other postemployment and pension-related transactions and expects to recognize these amounts over the next five years. The Town reports unavailable revenues as deferred inflows of resources in its

governmental funds financial statements. These amounts are expected to be recognized as an inflow of resources in the period in which the amounts become available.

Net Position – In the government-wide financial statements, net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted* for the following:

Nonexpendable permanent funds represent the endowment portion of donor restricted trusts that support governmental programs.

Expendable permanent funds represent the spendable portion of donor restricted trusts that support governmental programs.

Other purposes represent assets that are restricted by donors for specific governmental programs and uses.

Fund Equity – In the governmental fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid items) or (b) legally or contractually required to be maintained intact as the corpus of the endowment.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

Assigned represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town's structure, only authorized assignments for non-contractual encumbrances can be made by individual department heads.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed.

The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

E. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

F. Reclassifications

Previously reported fund balances for the Town's police station construction and its general Town-wide capital projects were reclassified in the current year's basic financial statements to a new major governmental fund – the capital projects fund.

II. Detailed Notes to All Funds

A. Deposits and Investments

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as cash and cash equivalents. The deposits and investments of trust funds are held separately from those of other funds.

Massachusetts General Law ("MGL") require the Town to invest funds only in preapproved investment instruments which include, but are not necessarily limited to, bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool (the "Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (the “MMDT”), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. The Town relies on depository insurance and collateralization agreements at its banking institutions to mitigate this risk. At June 30, 2021, \$1,204,593 in Town deposits were uninsured and uncollateralized.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. The Town does not have a formal investment policy related to custodial credit risk. Investments in the MMDT are not subject to custodial credit risk.

Fair Value Measurements: Investments – The following table presents the Town’s investments carried at fair value on a recurring basis at June 30, 2021 (inclusive of investments held by the Electric Department, which are as of December 31, 2020):

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. government obligations	\$ 121,484	\$ 52,040	\$ 69,444	\$ -
Corporate fixed income securities	450,209	-	450,209	-
Total debt securities	571,693	52,040	519,653	-
Equity securities	725,428	725,428	-	-
Mutual funds	5,619,778	-	5,619,778	-
Total investments measured at fair value	6,916,899	\$ 777,468	\$ 6,139,431	\$ -
Investments measured at amortized cost:				
MMDT	2,247,157			
Total Town investments	\$ 9,164,056			

Investments in the MMDT are valued at amortized cost, which approximates fair value.

Concentration of Credit Risk: Investments – The Town does not place a limit on the amount that may be invested in any one issuer. The Town’s investments in the MMDT represented approximately 25% of total investments at June 30, 2021. No other individual investment exceeded 5% of the Town’s total investments.

Interest Rate Risk: Investments – Debt security investments are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

The following table presents the Town's investments and maturities at June 30, 2021 (inclusive of investments held by the Electric Department, which are as of December 31, 2020):

Investment Type	Fair Value	Time Until Maturity (Years)		
		Less than 1	1 to 5	6 to 10
Debt securities:				
U.S. government obligations	\$ 121,484	\$ 32,028	\$ 64,694	\$ 24,762
Corporate fixed income securities	450,209	50,544	316,596	83,069
Total Town investments with maturities	571,693	<u>\$ 82,572</u>	<u>\$ 381,290</u>	<u>\$ 107,831</u>
Other investments:				
Equity securities	725,428			
Mutual funds	5,619,778			
MMDT	2,247,157			
Total Town investments	<u>\$ 9,164,056</u>			

Credit Risk: Investments – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following table summarizes the credit ratings assigned by Standard and Poor's Global Ratings (S&P) for investments in fixed income securities at June 30, 2021:

Quality Rating (S&P)	U.S. Government Obligations	Corporate Fixed Income
AA+	\$ 121,484	\$ -
AA-	-	23,121
A+	-	162,414
A	-	19,688
A-	-	73,781
BBB+	-	104,788
BBB+	-	66,417
	<u>\$ 121,484</u>	<u>\$ 450,209</u>

B. Receivables

Receivables as of June 30, 2021 for the Town's governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Property taxes	\$ 415,000	\$ -	\$ 415,000
Tax liens	525,138	-	525,138
Motor vehicle and other excise	160,390	-	160,390
Departmental and other	503,603	-	503,603
Intergovernmental	639,271	-	639,271
Totals	<u>\$ 2,243,402</u>	<u>\$ -</u>	<u>\$ 2,243,402</u>

Receivables as of June 30, 2021 for the Town's proprietary funds (the Electric Department's balances are as of December 31, 2020) were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water users fees	\$ 553,700	\$ -	\$ 553,700
Sewer user fees	501,444	-	501,444
Sewer betterment fees	105,824	-	105,824
Electric department fees	891,531	(13,586)	877,945
Totals	<u>\$ 2,052,499</u>	<u>\$ (13,586)</u>	<u>\$ 2,038,913</u>

Governmental funds report unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following table identifies the components of unavailable revenues in the governmental funds:

	General Fund	Nonmajor Governmental Funds	Total
Personal property taxes	\$ 1,864	\$ -	\$ 1,864
Real estate taxes	413,136	-	413,136
Tax liens	525,138	-	525,138
Motor vehicle and other excise	160,390	-	160,390
Other	485,396	9,946	495,342
Totals	<u>\$ 1,585,924</u>	<u>\$ 9,946</u>	<u>\$ 1,595,870</u>

C. Capital Assets

Capital asset activity in for the fiscal year ended June 30, 2021 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,812,761	\$ -	\$ (5,884)	\$ 2,806,877
Construction in-progress	6,492,925	98,523	(6,492,925)	98,523
Total capital assets not being depreciated	9,305,686	98,523	(6,498,809)	2,905,400
Capital assets being depreciated:				
Buildings and improvements	18,806,511	8,195,391	-	27,001,902
Infrastructure	8,127,134	294,326	-	8,421,460
Machinery and equipment	1,692,371	295,207	(7,570)	1,980,008
Vehicles	2,222,865	570,818	(163,092)	2,630,591
Total capital assets being depreciated	30,848,881	9,355,742	(170,662)	40,033,961
Less accumulated depreciation for:				
Buildings and improvements	(9,893,148)	(597,307)	-	(10,490,455)
Infrastructure	(4,530,384)	(100,284)	-	(4,630,668)
Machinery and equipment	(1,046,170)	(131,540)	-	(1,177,710)
Vehicles	(1,453,888)	(237,908)	-	(1,691,796)
Total accumulated depreciation	(16,923,590)	(1,067,039)	-	(17,990,629)
Total capital assets being depreciated, net	13,925,291	8,288,703	(170,662)	22,043,332
Governmental activities capital assets, net	<u>\$ 23,230,977</u>	<u>\$ 8,387,226</u>	<u>\$ (6,669,471)</u>	<u>\$ 24,948,732</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 157,920
Public safety	315,257
Education	216,027
Public works	228,290
Health and human services	34,720
Culture and recreation	114,825
Total	<u>\$ 1,067,039</u>

<u>Business-Type Activities - Combined</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 352,630	\$ -	\$ -	\$ 352,630
Construction in-progress	78,364	8,541	(77,802)	9,103
Total capital assets not being depreciated	430,994	8,541	(77,802)	361,733
Capital assets being depreciated:				
Buildings and improvements	5,328,099	200,424	-	5,528,523
Infrastructure	26,362,816	231,863	-	26,594,679
Machinery and equipment	1,970,093	323,395	-	2,293,488
Vehicles	246,122	-	(27,939)	218,183
Total capital assets being depreciated	33,907,130	755,682	(27,939)	34,634,873
Less accumulated depreciation for:				
Buildings and improvements	(1,292,813)	(234,901)	-	(1,527,714)
Infrastructure	(14,935,677)	(603,055)	-	(15,538,732)
Machinery and equipment	(1,155,800)	(111,047)	-	(1,266,847)
Vehicles	(228,161)	(11,974)	27,939	(212,196)
Total accumulated depreciation	(17,612,451)	(960,977)	27,939	(18,545,489)
Total capital assets being depreciated, net	16,294,679	(205,295)	-	16,089,384
Business-Type activities capital assets, net	<u>\$ 16,725,673</u>	<u>\$ (196,754)</u>	<u>\$ (77,802)</u>	<u>\$ 16,451,117</u>

<u>Business-Type Activities - Water</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 31,621	\$ -	\$ -	\$ 31,621
Construction in-progress	-	8,541	-	8,541
Total capital assets not being depreciated	31,621	8,541	-	40,162
Capital assets being depreciated:				
Buildings and improvements	3,212,244	115,168	-	3,327,412
Infrastructure	5,456,138	-	-	5,456,138
Machinery and equipment	201,157	14,667	-	215,824
Vehicles	104,624	-	-	104,624
Total capital assets being depreciated	8,974,163	129,835	-	9,103,998
Less accumulated depreciation for:				
Buildings and improvements	(571,511)	(161,731)	-	(733,242)
Infrastructure	(2,754,871)	(86,895)	-	(2,841,766)
Machinery and equipment	(81,346)	(19,550)	-	(100,896)
Vehicles	(97,990)	(4,423)	-	(102,413)
Total accumulated depreciation	(3,505,718)	(272,599)	-	(3,778,317)
Total capital assets being depreciated, net	5,468,445	(142,764)	-	5,325,681
Water capital assets, net	<u>\$ 5,500,066</u>	<u>\$ (134,223)</u>	<u>\$ -</u>	<u>\$ 5,365,843</u>

(continued)

<u>Business-Type Activities - Sewer</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 208,917	\$ -	\$ -	\$ 208,917
Construction in-progress	78,364	-	(77,802)	562
Total capital assets not being depreciated	287,281	-	(77,802)	209,479
Capital assets being depreciated:				
Buildings and improvements	1,332,311	85,256	-	1,417,567
Infrastructure	11,637,993	-	-	11,637,993
Machinery and equipment	464,130	291,428	-	755,558
Vehicles	141,498	-	(27,939)	113,559
Total capital assets being depreciated	13,575,932	376,684	(27,939)	13,924,677
Less accumulated depreciation for:				
Buildings and improvements	(322,159)	(51,623)	-	(373,782)
Infrastructure	(7,350,471)	(229,904)	-	(7,580,375)
Machinery and equipment	(210,498)	(56,018)	-	(266,516)
Vehicles	(130,171)	(7,551)	27,939	(109,783)
Total accumulated depreciation	(8,013,299)	(345,096)	27,939	(8,330,456)
Total capital assets being depreciated, net	5,562,633	31,588	-	5,594,221
Sewer capital assets, net	<u>\$ 5,849,914</u>	<u>\$ 31,588</u>	<u>\$ (77,802)</u>	<u>\$ 5,803,700</u>
<u>Business-Type Activities - Electric Light</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 112,092	\$ -	\$ -	\$ 112,092
Capital assets being depreciated:				
Buildings and improvements	783,544	-	-	783,544
Infrastructure	9,268,685	231,863	-	9,500,548
Machinery and equipment	1,304,806	17,300	-	1,322,106
Total capital assets being depreciated	11,357,035	249,163	-	11,606,198
Less accumulated depreciation for:				
Buildings and improvements	(399,143)	(21,547)	-	(420,690)
Infrastructure	(4,830,335)	(286,256)	-	(5,116,591)
Machinery and equipment	(863,956)	(35,479)	-	(899,435)
Total accumulated depreciation	(6,093,434)	(343,282)	-	(6,436,716)
Total capital assets being depreciated, net	5,263,601	(94,119)	-	5,169,482
Electric Light capital assets, net	<u>\$ 5,375,693</u>	<u>\$ (94,119)</u>	<u>\$ -</u>	<u>\$ 5,281,574</u>

(concluded)

D. Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2021, are as follows:

Transfers Out	Transfers In			Total	
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds		
General Fund	\$ -	\$ -	\$ 2,037	\$ 2,037	(1)
Nonmajor Governmental Funds	2,800	360,000	-	362,800	(2)
Totals	<u>\$ 2,800</u>	<u>\$ 360,000</u>	<u>\$ 2,037</u>	<u>\$ 364,837</u>	

(1) Miscellaneous transfer of unspent funds to original funding source.

(2) Budgeted transfer to the general fund to supplement the budget (\$2,800) and transfer of previously received bond premiums to capital projects (\$360,000).

E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes.

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANS”) or grant anticipation notes. In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary borrowings are accounted for in the general fund and enterprise funds, respectively. The following summarizes the Town’s temporary borrowings for the fiscal year ended June 30, 2021:

Type	Interest Rate	Maturity Date	Beginning Balance	Increases	Decreases	Ending Balance
State House Note	0.42%	4/29/2022	\$ -	\$ 522,000	\$ -	\$ 522,000
MVPC Note	3.00%	2/26/2024	-	147,900	-	147,900
			<u>\$ -</u>	<u>\$ 669,900</u>	<u>\$ -</u>	<u>\$ 669,900</u>

Temporary notes were issued and outstanding at year end for the following purposes:

Fire rescue vehicle	\$ 325,000
Public works vehicle	197,000
Brownfields	<u>147,900</u>
	<u>\$ 669,900</u>

F. Long-Term Obligations

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for within governmental activities. Additionally, the Town incurs various other long-term obligations relative to personnel and other costs. The following reflects the current year activity in the Town's long-term liability accounts:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 8,865,000	\$ -	\$ (455,000)	\$ 8,410,000	\$ 465,000
Unamortized bond premiums	722,153	-	(57,396)	664,757	55,246
Lease obligations	635,010	-	(135,370)	499,640	141,195
Landfill monitoring	285,000	701,000	(50,000)	936,000	52,200
Compensated absences	225,923	24,893	(79,073)	171,743	60,110
Net OPEB liability	1,944,685	305,947	(485,891)	1,764,741	-
Net pension liability	6,834,781	1,599,441	(1,794,738)	6,639,484	-
Total Governmental Activities	<u>\$ 19,512,552</u>	<u>\$ 2,631,281</u>	<u>\$ (3,057,468)</u>	<u>\$ 19,086,365</u>	<u>\$ 773,751</u>
<i>Water:</i>					
General obligation bonds	\$ 330,000	\$ -	\$ (105,000)	\$ 225,000	\$ 105,000
Direct borrowings and placements	2,280,281	-	(74,806)	2,205,475	76,583
Lease obligations	20,746	-	(3,773)	16,973	3,955
Compensated absences	5,117	-	(2,976)	2,141	749
Net OPEB liability	124,975	20,236	(40,304)	104,907	-
Net pension liability	745,498	174,458	(195,760)	724,196	-
Total Water	<u>\$ 3,506,617</u>	<u>\$ 194,694</u>	<u>\$ (422,619)</u>	<u>\$ 3,278,692</u>	<u>\$ 186,287</u>
<i>Sewer:</i>					
General obligation bonds	\$ 515,000	\$ -	\$ (140,000)	\$ 375,000	\$ 130,000
Lease obligations	123,164	-	(22,397)	100,767	23,477
Compensated absences	36,517	-	(2,627)	33,890	11,862
Net OPEB liability (asset)	35,357	11,217	(68,394)	(21,820)	-
Net pension liability	1,003,060	233,724	(262,385)	974,399	-
Total Sewer	<u>\$ 1,713,098</u>	<u>\$ 244,941</u>	<u>\$ (495,803)</u>	<u>\$ 1,462,236</u>	<u>\$ 165,339</u>
<i>Electric Light:</i>					
General obligation bonds	\$ 600,000	\$ -	\$ (75,000)	\$ 525,000	\$ 75,000
Compensated absences	63,921	-	(19,808)	44,113	28,247
Net OPEB liability	166,909	33,033	-	199,942	-
Net pension liability	1,993,940	111,985	-	2,105,925	-
Total Electric Light	<u>\$ 2,824,770</u>	<u>\$ 145,018</u>	<u>\$ (94,808)</u>	<u>\$ 2,874,980</u>	<u>\$ 103,247</u>

The governmental activities liabilities will be liquidated by the general fund. The business-type liabilities will be liquidated by the respective enterprise funds.

General obligation bonds and notes payable outstanding at June 30, 2021 (December 31, 2020 for the Electric Department) were as follows:

Description of Issue	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.00 - 5.00%	\$ 8,865,000	\$ -	\$ (455,000)	\$ 8,410,000
<i>Water:</i>					
General obligation bonds	2.00 - 3.00%	\$ 330,000	\$ -	\$ (105,000)	\$ 225,000
MCWT notes	2.00 - 2.40%	2,280,281	-	(74,806)	2,205,475
Total Water		2,610,281	-	(179,806)	2,430,475
<i>Sewer:</i>					
General obligation bonds	2.00 - 5.00%	515,000	-	(140,000)	375,000
<i>Electric Light:</i>					
General obligation bonds	3.00 - 5.00%	600,000	-	(75,000)	525,000
Total Business-Type Activities		\$ 3,725,281	\$ -	\$ (394,806)	\$ 3,330,475

Debt service requirements on long-term debt were as follows:

Year Ending June 30,	Governmental Activities					
	General Obligation Bonds			Direct Borrowings and Placements		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 465,000	\$ 274,970	\$ 739,970	\$ -	\$ -	\$ -
2023	465,000	256,720	721,720	-	-	-
2024	345,000	240,170	585,170	-	-	-
2025	235,000	226,820	461,820	-	-	-
2026	255,000	214,570	469,570	-	-	-
2027 - 2031	1,460,000	877,025	2,337,025	-	-	-
2032 - 2036	1,730,000	611,075	2,341,075	-	-	-
2037 - 2041	1,875,000	357,647	2,232,647	-	-	-
2042 - 2045	1,580,000	95,550	1,675,550	-	-	-
	<u>\$ 8,410,000</u>	<u>\$ 3,154,547</u>	<u>\$ 11,564,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Year Ending June 30,	Business-Type Activities - Combined					
	General Obligation Bonds			Direct Borrowings and Placements		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 310,000	\$ 39,714	\$ 349,714	\$ 76,583	\$ 51,218	\$ 127,801
2023	270,000	29,228	299,228	78,403	48,535	126,938
2024	245,000	19,641	264,641	80,265	46,812	127,077
2025	75,000	13,500	88,500	82,173	45,047	127,220
2026	75,000	10,500	85,500	84,126	43,240	127,366
2027 - 2031	150,000	19,500	169,500	451,609	187,545	639,154
2032 - 2036	-	-	-	507,956	135,417	643,373
2037 - 2041	-	-	-	292,120	87,659	379,779
2042 - 2046	-	-	-	331,846	50,746	382,592
2047 - 2049	-	-	-	220,394	10,669	231,063
	<u>\$ 1,125,000</u>	<u>\$ 132,083</u>	<u>\$ 1,257,083</u>	<u>\$ 2,205,475</u>	<u>\$ 706,888</u>	<u>\$ 2,912,363</u>

Year Ending June 30,	Water					
	General Obligation Bonds			Direct Borrowings and Placements		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 105,000	\$ 5,175	\$ 110,175	\$ 76,583	\$ 51,218	\$ 127,801
2023	70,000	2,550	72,550	78,403	48,535	126,938
2024	50,000	750	50,750	80,265	46,812	127,077
2025	-	-	-	82,173	45,047	127,220
2026	-	-	-	84,126	43,240	127,366
2027 - 2031	-	-	-	451,609	187,545	639,154
2032 - 2036	-	-	-	507,956	135,417	643,373
2037 - 2041	-	-	-	292,120	87,659	379,779
2042 - 2046	-	-	-	331,846	50,746	382,592
2047 - 2049	-	-	-	220,394	10,669	231,063
	<u>\$ 225,000</u>	<u>\$ 8,475</u>	<u>\$ 233,475</u>	<u>\$ 2,205,475</u>	<u>\$ 706,888</u>	<u>\$ 2,912,363</u>

Year Ending June 30,	Sewer					
	General Obligation Bonds			Direct Borrowings and Placements		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 130,000	\$ 12,415	\$ 142,415	\$ -	\$ -	\$ -
2023	125,000	7,366	132,366	-	-	-
2024	120,000	2,438	122,438	-	-	-
	<u>\$ 375,000</u>	<u>\$ 22,219</u>	<u>\$ 397,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Year Ending June 30,	Electric Light					
	General Obligation Bonds			Direct Borrowings and Placements		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 75,000	\$ 22,124	\$ 97,124	\$ -	\$ -	\$ -
2023	75,000	19,312	94,312	-	-	-
2024	75,000	16,453	91,453	-	-	-
2025	75,000	13,500	88,500	-	-	-
2026	75,000	10,500	85,500	-	-	-
2027 - 2031	150,000	19,500	169,500	-	-	-
	<u>\$ 525,000</u>	<u>\$ 101,389</u>	<u>\$ 626,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The following authorized and unissued debt was outstanding as of June 30, 2021:

Project	Amount
Fire apparatus vehicle	\$ 1,200,000
Fire rescue vehicle	325,000
Public works truck	197,000
	<u>\$ 1,722,000</u>

G. Lease Obligations

The Town is party to noncancellable leases for the purchase of certain equipment. For financial reporting purposes, these leases are accounted for as capital leases. Future minimum lease payments on existing capital leases as of June 30, 2021 were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2022	\$ 186,272
2023	188,460
2024	159,847
2025	<u>122,401</u>
Total minimum lease payments	656,980
Less amount representing interest	<u>(39,600)</u>
Total lease obligations	<u>\$ 617,380</u>

Assets purchased through capital leases were comprised of the following at June 30, 2021:

Energy lease	1,021,853
Airpack lease	141,364
Dump truck	<u>174,860</u>
Leases assets at cost	1,338,077
Less accumulated depreciation	<u>(645,133)</u>
Lease assets, net	<u>\$ 692,944</u>

H. Excess of Expenditures Over Appropriations and Fund Deficits

The Town did not report any material expenditures in excess of appropriations during the year ended June 30, 2021.

The Town reported the following deficits in its capital projects fund and nonmajor governmental funds at June 30, 2021:

Fire rescue vehicle	\$ 313,802
Public works truck	194,440
Town Hall exterior repairs	<u>7,427</u>
Total deficits - capital projects fund	<u>\$ 515,669</u>
COVID-19 reimbursement grants	<u>\$ 141,780</u>

These deficits will be funded through future grants, bond proceeds or other available funds.

I. Fund Balances

The components of fund balances as listed in aggregate in the governmental funds balance sheet at June 30, 2021 were as follows:

	General Fund	Capital Project Funds	Nonmajor Governmental Funds	Total
Nonspendable:				
Perpetual permanent funds	\$ -	\$ -	\$ 373,717	\$ 373,717
Restricted:				
General government	-	29,894	569,231	599,125
Public safety	-	41,869	151,735	193,604
Public works	-	-	322,434	322,434
Health and human services	-	-	186,078	186,078
Culture and recreation	-	-	60,168	60,168
Committed:				
General government	497,064	-	-	497,064
Public safety	16,894	-	-	16,894
Public works	710,540	-	-	710,540
Health and human services	10,000	-	-	10,000
Culture and recreation	75,278	-	-	75,278
Pension and other fringes	44,285	-	-	44,285
Assigned:				
General government	307	-	-	307
Public safety	5,669	-	-	5,669
Public works	77	-	-	77
Unassigned	2,358,578	(515,669)	(141,780)	1,701,129
Totals	\$ 3,718,692	\$ (443,906)	\$ 1,521,583	\$ 4,796,369

Stabilization Funds – The Town maintains three stabilization funds – a general stabilization fund, a general capital stabilization fund and a stabilization fund for fire and ambulance apparatus. The use of stabilization funds requires a two-third vote of the Town Meeting before use for general and capital-related purposes. The fund balances for these three stabilization funds totaled \$1,440,904 at June 30, 2021 and were included as components of unassigned fund balance in the general fund.

Encumbrances – The Town’s encumbrance policy regarding the general fund is to (i) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Accountant as assigned, and (ii) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported, separately. The Town reports \$534,551 of articles from Town Meeting votes in the general fund as committed and \$62,571 of encumbrances from normal purchasing activity in the general fund as assigned at June 30, 2021. Encumbrances are not reported in any other funds.

III. Other Information

A. Retirement System

Plan Description – The Town contributes to the Essex Regional Retirement System (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan established under Chapter 32 of MGL. The Retirement System is administered by the Essex Regional Retirement Board. Stand-alone audited financial statements for the year ended December 31, 2020 were issued and may be obtained by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers, Massachusetts 01923.

Membership – Membership in the Retirement System as of December 31, 2020, was as follows:

Active members	2,420
Inactive members entitled to a return of their contributions	1,146
Retired members, beneficiaries and survivors	<u>1,510</u>
Total	<u>5,076</u>

Membership in the Retirement System is mandatory for all full-time employees and nonseasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the school department participate in a separate pension plan administered by the Massachusetts Teachers’ Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the Retirement System do not participate in the federal Social Security retirement system.

Benefit Terms – Massachusetts contributory retirement system benefits are uniform throughout the Commonwealth. The Retirement System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire and amount of creditable service. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the Retirement System include normal retirement, disability retirement and survivor benefits.

- Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years’ creditable service in order to retire at age 55. Participants become vested after ten years of creditable service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.
- Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of creditable service, average compensation and veteran status.

- Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the Retirement System.

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in fiscal year 2021.

Contributions Requirements – Under current MGL, the Retirement System is required to be fully funded by June 30, 2040. Participating employers to the Retirement System are assessed their proportionate share of the total annual pension appropriation. The Town (including the Electric Department) contributed \$994,974 to the Retirement System in fiscal year 2021, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contribution as a percentage of covered payroll was approximately 26% in fiscal year 2021.

Net Pension Liability – At June 30, 2021, the Town reported a liability of \$10,444,004 for its proportionate share of the net pension liability. The net pension liability reported by the Retirement System at December 31, 2020 (used for fiscal year end June 30, 2021) is \$10,228,754. The difference between these two figures is attributable to the difference in fiscal year ends between the Town and Electric Department, which results in a one-year lag.

The pension liability was measured as of December 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. These figures were updated by the independent actuary as of December 31, 2020. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System's benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all employers. The Town's proportionate share was approximately 2.58% and 2.50% at December 31, 2020 and 2019, respectively.

Pension Expense – The Town and Electric Department recognized \$983,232 and \$421,481, respectively, in pension expense in the statement of activities in fiscal year 2021.

Actuarial Valuation – The measurement of the System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2020 and included the following significant assumptions:

Salary increases	Based on years of service, ranging from 7.5% at 0 years of service decreasing to 3.75% after 5 years of service
Discount rate	7.30%
Wage inflation	2.75%
COLA adjustments	2% on first \$14,000 for fiscal 2021 and 3% on \$14,000 thereafter
Pre-retirement mortality	RP-2014 Employee Mortality Table projected generationally with Scale MP-2019
Post-retirement mortality	RP-2014 Healthy Annuitant Table projected generationally with generationally using Scale MP-2019
Disabled mortality	RP-2014 Healthy Annuitant Table set forward 2 years and projected generationally with generationally using Scale MP-2019

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Town		Electric Department	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 911	\$ 7,149	\$ 289	\$ 10,008
Changes of assumptions	557,803	-	210,482	-
Net difference between projected and actual earnings	-	620,358	-	78,519
Changes in proportion differences	465,676	107,441	97,218	45,784
Contributions made subsequent to the measurement date	-	-	168,290	-
Totals	<u>\$ 1,024,390</u>	<u>\$ 734,948</u>	<u>\$ 476,279</u>	<u>\$ 134,311</u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the pension expense as follows:

Town		Electric Department	
June 30,	Amount	December 31,	Amount
2022	\$ 133,443	2021	\$ 226,958
2023	170,819	2022	43,272
2024	32,432	2023	52,134
2025	(47,252)	2024	19,604
Total	<u>\$ 289,442</u>	Total	<u>\$ 341,968</u>

Long-Term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns 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 expected inflation. The target allocations and projected arithmetic real rates of return for each major asset class after deducting inflation, but before investment expenses, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Investment Rate of Return</u>
Domestic equity	23.10%	6.40%
International equity - developed markets	14.40%	6.60%
International equity - emerging markets	5.80%	8.40%
Core fixed income	15.80%	2.70%
Value added fixed income	7.40%	6.20%
Private equity	12.40%	10.20%
Real estate	8.30%	6.00%
Timberland	3.30%	6.60%
Hedge funds, PCS	8.80%	5.20%
Liquidating positions	0.10%	0.00%
Overlay	0.60%	0.00%

Discount Rate – The discount rate used to measure the total pension liability was 7.3%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on those assumptions, the Retirement 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 Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the current discount rate of 7.3% as well as the Town’s proportionate share of the net pension liability using a discount rate that is 1% lower or higher than the current rate:

<u>Current Rate</u>	<u>Net Pension Liability At</u>		
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
7.30%	\$ 13,097,498	\$ 10,228,754	\$ 7,817,548

The above amounts include the sensitivity analysis for both the Town and Electric Department as reflected in the actuarially report. The amounts vary from the recorded amounts due to the one-year difference caused from the Town and Electric Department having different fiscal year end reporting dates.

B. Other Postemployment Benefits

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 Chapter 32B of MGL.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town policies. 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. OPEB Plan disclosures can be found in this footnote disclosure.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms:

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

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 50% of the insurance premiums for medical and life insurance and 100% of dental insurance. The remainder of the insurance premiums as well as the costs of administering the OPEB Plan are funded by the general revenues of the Town.

The Town currently contributes enough money to the OPEB Plan to satisfy current obligations on a pay-as-you-go basis. For the year ended June 30, 2021, the Town’s average contribution rate was approximately 7% of covered-employee payroll.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2019. The components of the Town’s net OPEB liability at June 30, 2021 were as follows:

Total OPEB liability	\$ 4,387,998
Plan fiduciary net position	<u>(2,437,121)</u>
Net OPEB liability	<u><u>\$ 1,950,877</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	55.5%

Due to the differences in measurement dates used by the Town and the Electric Department, the net OPEB liability figures included in these basic financial statements varies from the net OPEB liability disclosed in this footnote due to the one-year difference caused from the Town and Electric Department having different fiscal year-end reporting dates.

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:

Actuarial cost method	Individual entry age normal
Single equivalent discount rate	6.75%
Inflation	2.50%
Healthcare trend rate	4.5%
Pre-retirement mortality	RP-2014 Mortality Table for Blue Collar Employees projected generationally with Scale MP-2016, set forward 1 year for females
Post-retirement mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with Scale MP-2016, set forward 1 year for females
Disabled mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with Scale MP-2016, set forward 1 year for females

Significant Changes in Assumptions – There were no significant assumption changes made in the latest actuarial valuation from the previous actuarial valuation.

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 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	21.00%	4.90%
Domestic equity - small/mid cap	19.00%	5.40%
International equity - developed markets	11.75%	5.32%
International equity - emerging markets	6.25%	6.26%
Domestic fixed income	21.00%	1.40%
International fixed income	4.75%	1.30%
Alternatives	15.75%	6.32%
Real estate	0.00%	6.25%
Cash and cash equivalents	0.50%	0.00%
Real rate of return		4.42%
Inflation assumption		2.50%
Total nominal return		6.92%
Investment expense		0.25%
Net investment return		6.67%

Discount Rate – The discount rate used to measure the total OPEB liability was 6.75%, which represents the long-term expected rate of return on OPEB Plan investments to the extent that the OPEB Plan’s assets are sufficient to pay benefits.

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2020	\$ 4,103,070	\$ 1,798,111	\$ 2,304,959
Changes for the year:			
Service cost	116,574	-	116,574
Interest	281,083	-	281,083
Employer contributions	-	273,175	(273,175)
Net investment income	-	478,564	(478,564)
Benefit payments withdrawn from trust	-	(112,729)	112,729
Benefit payments	(112,729)	-	(112,729)
Net changes	284,928	639,010	(354,082)
Balances at June 30, 2021	<u>\$ 4,387,998</u>	<u>\$ 2,437,121</u>	<u>\$ 1,950,877</u>

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 higher than the current discount rate:

Current Discount Rate	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
6.75%	\$ 2,557,755	\$ 1,950,877	\$ 1,449,160

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 healthcare cost trend rates that are 1% lower or higher than the current healthcare cost trend rates:

Healthcare Cost Trend Rate	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
4.50%	\$ 1,399,642	\$ 1,950,877	\$ 2,734,256

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the Town recognized OPEB expense of \$148,521. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2021 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 21,162
Differences between expected and actual earnings	50,382	243,351
Differences between expected and actual experience	-	85,666
Changes in proportion differences	67,187	28,852
	<u>\$ 117,569</u>	<u>\$ 379,031</u>

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

Town		Electric Department	
Year Ended June 30,	Amount	Year Ended December 31,	Amount
2022	\$ (54,898)	2021	\$ (219)
2023	(58,198)	2022	(219)
2024	(58,463)	2023	(601)
2025	(68,942)	2024	(631)
2026	(15,496)	2025	(3,795)
Total	<u>\$ (255,997)</u>	Total	<u>\$ (5,465)</u>

Investment Custody – In accordance with MGL, the Town Treasurer is the custodian of the OPEB Plan. A designated Board of Trustees consists of the Town Treasurer, Town Accountant, Electric Department Manager, chairperson of the Town Finance Committee and Chairperson of the Board of Selectmen. The Trustees are responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets are invested and reinvested by the custodian consistent with the prudent investor rule established under MGL and under the direction of the Board of Trustees. OPEB Plan assets are segregated from other funds and not be subject to the claims of any general creditor of the Town per MGL.

Investment Policy – The OPEB Plan follows the same investment policies that apply to all other Town trust funds.

Investment Rate of Return – For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was approximately 25.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Risk Financing

The Town is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; environmental matters; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

D. Commitments and Contingencies

General – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2021, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2021.

Grant Compliance – Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The Town expects such amounts, if any, to be immaterial.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town expects the amount if any, in these situations, to be immaterial.

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

In addition to its traditional power suppliers, the Electric Department entered into an agreement on July 26, 2015 with Merrimac Solar LLC to purchase all of the power produced by a solar unit recently constructed in the Town of Merrimac. The agreement is for twenty years, and the contract price is \$0.055 per kilowatt-hour. In 2020, this solar agreement provided approximately 7.5% of the Electric Department's power needs.

E. Landfill Closure and Post-Closure Care Costs

The Town operated a solid waste landfill that ceased operations and was subsequently capped. State and federal laws and regulations required the Town to close its old landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town reported \$936,000 as the estimate of the landfill post-closure care liability as of June 30, 2021 and is expected to amortize this liability through fiscal year 2034. Actual costs may vary due to inflation, changes in technology or changes in regulations.

IV. Implementation of New GASB Pronouncements

A. Current Year Implementations

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement became effective for the Town in fiscal year 2021. The adoption of this standard did not have a material impact on the Town's financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement was to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement became effective for the Town in fiscal year 2021. The adoption of this standard did not have an impact on the Town's financial statements.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. In addition to accounting and financial reporting implications that result from the replacement of an interbank offered rate (which become effective in fiscal year 2022), this Statement eliminated the use of LIBOR as an appropriate benchmark interest rate for derivative instruments that hedge interest rate risk of taxable debt for reporting periods effective fiscal year 2021. The adoption of this standard did not have an impact on the Town's financial statements.

B. Future Year Implementations

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. The reporting provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issued related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2020, the GASB issued GASB Statement No. 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*. The objective of this Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEARS ENDED JUNE 30, 2021

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(dollar amounts are in thousands)

Year Ended June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	2.58%	\$ 10,228,754	\$ 3,769,921	271.3%	59.7%
2020	2.50%	10,529,627	3,623,368	290.6%	55.5%
2019	2.36%	9,696,699	3,200,358	303.0%	51.9%
2018	2.46%	9,250,743	3,079,919	300.4%	55.4%
2017	2.47%	9,499,256	3,066,691	309.8%	51.1%
2016	2.41%	8,843,732	3,066,196	288.4%	51.0%
2015	2.40%	8,216,535	2,947,906	278.7%	52.2%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN

(dollar amounts are in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 868,390	\$ 868,390	\$ -	\$ 3,769,921	23.0%
2020	904,792	904,792	-	3,623,368	25.0%
2019	834,826	834,826	-	3,200,358	26.1%
2018	806,361	806,361	-	3,079,909	26.2%
2017	752,567	752,567	-	3,066,691	24.5%
2016	704,032	704,032	-	3,066,196	23.0%
2015	549,867	549,867	-	2,947,906	18.7%

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

See accompanying independent auditors' report.

TOWN OF MERRIMAC, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEARS ENDED JUNE 30, 2021**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	Year Ended June 30,				
	2021	2020	2019	2018	2017
Total OPEB liability:					
Service cost	\$ 116,574	\$ 112,937	\$ 122,084	\$ 116,018	\$ 108,937
Interest	281,083	263,073	247,512	232,873	223,803
Changes of assumptions	-	(34,417)	-	-	-
Difference between expected and actual plan experience	-	(114,330)	-	(13,775)	(39,114)
Benefit payments	(112,729)	(115,239)	(126,682)	(105,602)	(214,993)
Net change in total OPEB liability	284,928	112,024	242,914	229,514	78,633
Total OPEB liability - beginning of year	4,103,070	3,991,046	3,748,132	3,518,618	3,439,985
Total OPEB liability - end of year (a)	<u>\$ 4,387,998</u>	<u>\$ 4,103,070</u>	<u>\$ 3,991,046</u>	<u>\$ 3,748,132</u>	<u>\$ 3,518,618</u>
Plan fiduciary net position:					
Contributions - employer	\$ 273,175	\$ 268,839	\$ 257,682	\$ 326,359	\$ 510,564
Net investment income	478,564	42,844	82,253	51,876	67,393
Benefit payments	(112,729)	(115,239)	(126,682)	(105,602)	(214,993)
Net change in Plan fiduciary net position	639,010	196,444	213,253	272,633	362,964
Plan fiduciary net position - beginning of year	1,798,111	1,601,667	1,388,414	1,115,781	752,817
Plan fiduciary net position - end of year (b)	<u>2,437,121</u>	<u>1,798,111</u>	<u>1,601,667</u>	<u>1,388,414</u>	<u>1,115,781</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 1,950,877</u>	<u>\$ 2,304,959</u>	<u>\$ 2,389,379</u>	<u>\$ 2,359,718</u>	<u>\$ 2,402,837</u>
Plan fiduciary net position as a percentage of the total OPEB liability	55.54%	43.82%	40.13%	37.04%	31.71%
Covered payroll	\$ 3,834,983	\$ 3,723,284	\$ 3,048,410	\$ 3,859,621	\$ 2,906,555
Net OPEB liability as a percentage of covered payroll	50.87%	61.91%	78.38%	61.14%	82.67%

Note: This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

Note: Light Department amounts are included in these balances.

See independent auditors' report.

TOWN OF MERRIMAC, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEARS ENDED JUNE 30, 2021**

**SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

	Year Ended June 30,				
	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 220,733	\$ 282,591	\$ 293,889	\$ 285,690	\$ 302,154
Contributions in relation to the actuarially-determined contribution	(273,175)	(268,839)	(257,682)	(326,359)	(510,564)
Contribution deficiency (excess)	<u>\$ (52,442)</u>	<u>\$ 13,752</u>	<u>\$ 36,207</u>	<u>\$ (40,669)</u>	<u>\$ (208,410)</u>
Covered-employee payroll	\$ 3,834,983	\$ 3,723,284	\$ 3,048,410	\$ 3,859,621	\$ 2,906,555
Contribution as a percentage of covered-employee payroll	7.12%	7.22%	8.45%	8.46%	17.57%

Notes to Schedule:

Valuation Date	July 1, 2019
Asset Valuation Method	Market Value of Assets as of Reporting Date
Actuarial Cost Method	Individual Entry Age Normal
Amortization Period	30 years
Single Equivalent Discount Rate	6.75%
Inflation	2.50%
Healthcare Cost Trend Rates	4.50%

**SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS**

	Year Ended June 30,				
	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	25.33%	2.50%	5.54%	4.18%	7.94%

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

See independent auditors' report.

TOWN OF MERRIMAC, MASSACHUSETTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Favorable (Unfavorable)
	Original Budget	Final Budget				
Revenues:						
Real estate and personal property taxes, net	\$ 14,754,342	\$ 15,179,670	\$ 15,254,577		\$ 35,124,995	\$ 74,907
Intergovernmental	1,032,522	1,032,522	1,060,808		1,060,808	28,286
Motor vehicle and other excises	1,000,000	1,000,000	1,134,635		1,134,635	134,635
License and permits	70,000	70,000	80,141		80,141	10,141
Departmental and other revenue	774,300	774,300	807,677		807,677	33,377
Penalties and interest on taxes	26,000	26,000	43,855		43,855	17,855
Fines and forfeitures	21,000	21,000	18,098		18,098	(2,902)
Investment income	40,000	40,000	-		-	(40,000)
Total Revenues	<u>17,718,164</u>	<u>18,143,492</u>	<u>18,399,791</u>		<u>38,270,209</u>	<u>256,299</u>
Expenditures:						
General government	1,855,169	1,831,289	1,247,249	\$ 497,371	1,744,620	86,669
Public safety	2,348,687	2,342,294	2,067,920	22,563	2,090,483	251,811
Education	10,634,568	10,615,614	10,615,614	-	10,615,614	-
Public works	1,344,678	1,959,077	1,096,910	710,617	1,807,527	151,550
Health and human services	509,725	532,354	503,723	10,000	513,723	18,631
Culture and recreation	398,717	401,818	311,744	75,278	387,022	14,796
Pension and fringe benefits	1,106,063	1,155,467	1,072,889	44,285	1,117,174	38,293
State and county tax assessments	106,566	106,566	106,566	-	106,566	-
Debt service	904,227	904,227	904,227	-	904,227	-
Total Expenditures	<u>19,208,400</u>	<u>19,848,706</u>	<u>17,926,842</u>	<u>1,360,114</u>	<u>19,286,956</u>	<u>561,750</u>
Other Financing Sources (Uses):						
Transfers in	15,000	37,678	37,678	-	37,678	-
Transfers out	(90,000)	(99,446)	(101,483)	-	(101,483)	(2,037)
Total Other Financing Sources (Uses)	<u>(75,000)</u>	<u>(61,768)</u>	<u>(63,805)</u>	<u>-</u>	<u>(63,805)</u>	<u>(2,037)</u>
(Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures and Other Finance Uses	<u>(1,565,236)</u>	<u>(1,766,982)</u>	<u>\$ 409,144</u>	<u>\$ (1,360,114)</u>	<u>\$ 18,919,448</u>	<u>\$ 816,012</u>
Other Budgetary Items:						
Prior year encumbrances	1,360,495	1,360,495				
Undesignated surplus (free cash)	204,741	406,487				
Total other budget items	<u>1,565,236</u>	<u>1,766,982</u>				
Net budget	<u>\$ -</u>	<u>\$ -</u>				

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

TOWN OF MERRIMAC, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2021

An annual budget is legally adopted for the general fund. Financial orders are initiated by department heads, recommended by the Board of Selectmen and Finance Committee and approved by the Town Meeting members at the Town's annual meeting, which is generally held each April. Expenditures may not legally exceed appropriations at the department level. At the close of each fiscal year, unencumbered appropriation balances lapse or revert to unreserved fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town's accounting system.

The Town's general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2021, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 18,399,791
Electric Light PILOT	\$ 15,000	\$ -	15,000
Subsequent tax receipts recognition, net	(99,118)	-	(99,118)
Interest earned on stabilization funds	-	71,155	71,155
Revenues on a GAAP basis	<u>\$ (84,118)</u>	<u>\$ 71,155</u>	<u>\$ 18,386,828</u>
Expenditures on a budgetary basis			\$ 17,926,842
Reclass of OPEB transfers to expenditures	\$ -	\$ 99,446	99,446
Expenditures on a GAAP basis	<u>\$ -</u>	<u>\$ 99,446</u>	<u>\$ 18,026,288</u>
Net transfers on a budgetary basis			\$ (63,805)
Electric Light PILOT	\$ (15,000)	\$ -	(15,000)
Reclass of OPEB transfers to expenditures	-	99,446	99,446
Eliminate stabilization fund transfers	-	(19,878)	(19,878)
Net transfers on a GAAP basis	<u>\$ (15,000)</u>	<u>\$ 79,568</u>	<u>\$ 763</u>