

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, 2022



TOWN OF MERRIMAC, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2022 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents, (except for the Merrimac Electric Light Department "the Electric Department, Electric Light", which is as of December 31, 2021). We did not audit the financial statements of the Electric Department. The Electric Department represents 44.50%, 46.65%, and 67.70% respectively, of the assets, net position, and operating revenues of the Town's business-type activities. Those financial 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 discretely presented component unit, is based solely on the report of the other auditors.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town as of June 30, 2022, (except for the Merrimac Electric Light Department "the Electric Department, Electric Light", which are as of December 31, 2021) and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

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.

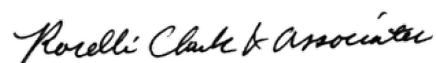
sufficient evidence to express an opinion or provide any assurance combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2023 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 20, 2023

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, 2022. 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 over \$34.6 million (*total net position*).
- The Town's total net position increased by over \$3.2 million year-over-year.
- The Town continues to report a deficit in its unrestricted net position in the governmental activities. This deficit exceeded \$4.4 million at June 30, 2022. This deficit is due primarily to the recording of amounts associated with net OPEB and net pension liabilities, which totaled approximately \$7.9 million at June 30, 2022 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, 2022, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of over \$5.3 million, which was over \$0.5 million higher than the prior year due primarily to the timing of bond proceeds and project expenditures in the Town's capital projects fund.
- In the governmental funds financial statements, the Town reported almost \$2.3 million unassigned fund balance at June 30, 2022.
- At June 30, 2022, the unassigned fund balance for the general fund was 11.4% of fiscal year 2022 total general fund expenditures and the total general fund balance was 19.4% of that figure.
- The Town's total long-term debt increased over \$0.8 million in fiscal year 2022 to approximately \$12.6 million at June 30, 2022. Increases was due to bond proceeds of approximately \$1.7 million, offset by approximately \$0.9 million of regularly scheduled maturities.

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, , 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, | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| <u>Assets</u> | | | | | | |
| Current and other assets | \$ 8,615,704 | \$ 8,041,928 | \$ 10,454,676 | \$ 10,513,951 | \$ 19,070,380 | \$ 18,555,879 |
| Capital assets, net | 27,152,088 | 24,948,732 | 17,650,575 | 16,451,117 | 44,802,663 | 41,399,849 |
| Total assets | 35,767,792 | 32,990,660 | 28,105,251 | 26,965,068 | 63,873,043 | 59,955,728 |
| Deferred Outflows of Resources | 1,338,600 | 921,035 | 731,573 | 697,203 | 2,070,173 | 1,618,238 |
| <u>Liabilities</u> | | | | | | |
| Long-term liabilities | 19,698,827 | 19,086,365 | 6,665,523 | 7,637,728 | 26,364,350 | 26,724,093 |
| Other liabilities | 1,709,697 | 1,733,671 | 418,041 | 475,692 | 2,127,738 | 2,209,363 |
| Total liabilities | 21,408,524 | 20,820,036 | 7,083,564 | 8,113,420 | 28,492,088 | 28,933,456 |
| Deferred Inflows of Resources | 2,108,837 | 878,581 | 734,515 | 369,709 | 2,843,352 | 1,248,290 |
| <u>Net Position</u> | | | | | | |
| Net investment in capital assets | 16,430,608 | 15,550,952 | 14,641,767 | 13,028,294 | 31,072,375 | 28,579,246 |
| Restricted | 1,602,369 | 1,663,363 | 4,171,465 | 3,709,700 | 5,773,834 | 5,373,063 |
| Unrestricted | (4,443,946) | (5,001,237) | 2,205,513 | 2,441,148 | (2,238,433) | (2,560,089) |
| Net Position | \$ 13,589,031 | \$ 12,213,078 | \$ 21,018,745 | \$ 19,179,142 | \$ 34,607,776 | \$ 31,392,220 |

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 over \$34.6 million (*total net position*). This reflects an increase of over \$3.2 million.

The largest portion (approximately \$31.1 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 \$5.8 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 over \$2.2 million. The Town continues to report a deficit in its unrestricted net position, which is entirely due to recognition of approximately \$11.3 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 | |
|---|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| <u>Revenues</u> | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,552,391 | \$ 1,436,875 | \$ 7,397,902 | \$ 7,837,297 | \$ 8,950,293 | \$ 9,274,172 |
| Operating grants and contributions | 1,303,167 | 1,144,645 | - | - | 1,303,167 | 1,144,645 |
| Capital grants and contributions | 1,644,814 | 474,166 | 1,372,419 | 220,172 | 3,017,233 | 694,338 |
| General revenues: | | | | | | |
| Property taxes | 16,495,205 | 15,875,500 | - | - | 16,495,205 | 15,875,500 |
| Intergovernmental | 928,387 | 912,237 | - | - | 928,387 | 912,237 |
| Other | 1,090,115 | 1,167,898 | 364,126 | 369,591 | 1,454,241 | 1,537,489 |
| Total Revenues | 23,014,079 | 21,011,321 | 9,134,447 | 8,427,060 | 32,148,526 | 29,438,381 |
| <u>Expenses</u> | | | | | | |
| General government | 2,277,423 | 2,670,727 | - | - | 2,277,423 | 2,670,727 |
| Public safety | 3,803,335 | 2,911,074 | - | - | 3,803,335 | 2,911,074 |
| Education | 11,923,968 | 10,831,641 | - | - | 11,923,968 | 10,831,641 |
| Public works | 1,888,118 | 2,133,068 | - | - | 1,888,118 | 2,133,068 |
| Health and human services | 896,632 | 831,181 | - | - | 896,632 | 831,181 |
| Culture and recreation | 601,444 | 637,862 | - | - | 601,444 | 637,862 |
| Interest expense | 247,206 | 242,499 | - | - | 247,206 | 242,499 |
| Utilities | - | - | 7,294,844 | 7,627,155 | 7,294,844 | 7,627,155 |
| Total Expenses | 21,638,126 | 20,258,052 | 7,294,844 | 7,627,155 | 28,932,970 | 27,885,207 |
| Change in Net Position Before Transfers | 1,375,953 | 753,269 | 1,839,603 | 799,905 | 3,215,556 | 1,553,174 |
| Transfers | - | - | - | - | - | - |
| Change in Net Position | 1,375,953 | 753,269 | 1,839,603 | 799,905 | 3,215,556 | 1,553,174 |
| Net Position - Beginning of Year | 12,213,078 | 11,459,809 | 19,179,142 | 18,379,237 | 31,392,220 | 29,839,046 |
| Net position - End of Year | <u>\$ 13,589,031</u> | <u>\$ 12,213,078</u> | <u>\$ 21,018,745</u> | <u>\$ 19,179,142</u> | <u>\$ 34,607,776</u> | <u>\$ 31,392,220</u> |

Governmental Activities – Total revenues increased over \$2.0 million year-over-year. This increase was due primarily to an over \$0.6 million increase property tax revenues coupled with an increase of approximately \$1.2 million in capital grants and contributions.

The Town's largest revenue source is from property taxes, which represented nearly 72% and 76% of total revenues in fiscal year 2022 and 2021, respectively. No other revenues were greater than 10% of total revenues in fiscal years 2022 or 2021.

Education expenses continue to represent the largest expense for the Town. Education expenses represented approximately 55% of total 2022 expenses versus 53% in the prior year. Public safety, general government and public works represented approximately 18%, 11% and 9%, respectively, of total 2022 expenses; these percentages were relatively consistent with the prior year. No other expense categories were greater than 10% of fiscal years 2022 or 2021 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 over \$5.3 million. This represents an increase of over \$0.5 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 over \$0.1 million in fiscal year 2022. 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, 2022, the unassigned fund balance of the general fund was approximately \$2.3 million, while the total fund balance in the general fund was approximately \$3.9 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 11.4% of total fiscal year 2022 general fund expenditures, while the total fund balance represents 19.4% 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 \$1.2 million in fiscal year 2022, primarily for the purchase of a Fire Department ladder truck. The total fund balance in the capital projects fund increased over \$460,000 in fiscal year 2022 as bond proceeds exceeded current year capital expenditures.

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 2022, the fund balance in the Town’s nonmajor governmental funds decreased approximately \$61,000. The Town reports approximately \$374,000 as nonspendable (endowment corpus) and nearly \$1.1 million as restricted.

Fiduciary Fund – The Town’s fiduciary fund is comprised of the Town’s OPEB trust fund. The OPEB Trust decreased nearly \$0.2 million due to contributions in excess of the pay-as-you-go expense funded by the Town of over \$150,000, offset by net investment losses of nearly \$338,000. The current balance in the account is approximately \$2.3 million.

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, 2022 totaled approximately \$44.8 million, net of accumulated depreciation. Investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects an increase of over \$3.4 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 \$12.6 million. The Town’s total long-term debt increased over \$0.8 million during the fiscal year as a result of current year bond proceeds exceeding regular scheduled maturities.

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 2023 is expected to approach \$1,156,000.
- The Town enters fiscal year 2023 with the following financial reserves:
 - Certified free cash of approximately \$809,000;
 - General stabilization funds of approximately \$974,000; and
 - Special stabilization funds of approximately \$301,000.
- The Town’s real estate tax base is made up predominantly of residential taxes, which in 2022 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.
- The Town’s housing market has been very strong for the past several years. This has been bolstered by mortgage rates at historic lows. Current actions by the Federal Open Market Committee to soften the economy due to inflation have caused mortgage rates to spike during fiscal year 2023. Such trends may have an adverse effect on the housing market, and the Town is monitoring this.
- Inflation is peaking near 40-year historic highs. This is having adverse impacts on the Town. Wage inflation cannot guarantee that the Town will be able to maintain employees without increasing wages. Energy inflation is causing a spike in energy costs. Price inflation is causing a spike in the price of the delivery and cost of goods and services. The construction building index

is nearing historic highs which may cause the estimates of major capital projects to increase, in addition to the financing costs of these projects. The Town continues to monitor this situation

Each of these factors were considered in preparing the Town's budget for the 2023 fiscal year, which was adopted at Town Meeting in April 2022. The Town set its fiscal year 2023 tax rate on November 10, 2022.

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, 2022**

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 3,227,365 | \$ 5,022,968 | \$ 8,250,333 |
| Investments | 3,582,225 | 3,291,694 | 6,873,919 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property taxes | 995,730 | - | 995,730 |
| User fees | - | 1,556,924 | 1,556,924 |
| Betterments | - | 78,287 | 78,287 |
| Departmental and other | 305,665 | - | 305,665 |
| Intergovernmental | 143,466 | - | 143,466 |
| Tax foreclosures | 361,253 | - | 361,253 |
| Inventory | - | 92,512 | 92,512 |
| Prepaid items | - | 22,616 | 22,616 |
| Purchased power working capital | - | 265,879 | 265,879 |
| Capital assets, not being depreciated | 4,123,400 | 361,733 | 4,485,133 |
| Capital assets, net of depreciation | 23,028,688 | 17,288,842 | 40,317,530 |
| Net OPEB asset | - | 123,796 | 123,796 |
| Total Assets | 35,767,792 | 28,105,251 | 63,873,043 |
| Deferred Outflows of Resources: | | | |
| Related to net pension liability | 872,175 | 669,282 | 1,541,457 |
| Related to net other postemployment benefits liability | 466,425 | 62,291 | 528,716 |
| Total Deferred Outflows of Resources | 1,338,600 | 731,573 | 2,070,173 |
| Liabilities: | | | |
| Current liabilities: | | | |
| Warrants and accounts payable | 248,608 | 246,402 | 495,010 |
| Accrued payroll and withholdings | 88,367 | 18,301 | 106,668 |
| Accrued interest expense | 91,836 | 52,861 | 144,697 |
| Other liabilities | 78,418 | - | 78,418 |
| Unearned revenues | 904,568 | 100,477 | 1,005,045 |
| Short-term notes payable | 297,900 | - | 297,900 |
| Noncurrent liabilities: | | | |
| Due in one year or less | 903,552 | 406,802 | 1,310,354 |
| Due in more than one year | 18,795,275 | 6,258,721 | 25,053,996 |
| Total Liabilities | 21,408,524 | 7,083,564 | 28,492,088 |
| Deferred Inflows of Resources: | | | |
| Related to net pension liability | 1,689,352 | 612,511 | 2,301,863 |
| Related to net other postemployment benefits liability | 419,485 | 122,004 | 541,489 |
| Total Deferred Inflows of Resources | 2,108,837 | 734,515 | 2,843,352 |
| Net Position: | | | |
| Net investment in capital assets | 16,430,608 | 14,641,767 | 31,072,375 |
| Restricted for: | | | |
| Nonexpendable permanent funds | 374,317 | - | 374,317 |
| Expendable permanent funds | 254,648 | - | 254,648 |
| Depreciation | - | 4,171,465 | 4,171,465 |
| Other purposes | 973,404 | - | 973,404 |
| Unrestricted | (4,443,946) | 2,205,513 | (2,238,433) |
| Total Net Position | \$ 13,589,031 | \$ 21,018,745 | \$ 34,607,776 |

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

| 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 | \$ 2,277,423 | \$ 501,998 | \$ 562,234 | \$ - | \$ (1,213,191) | | \$ (1,213,191) |
| Public safety | 3,803,335 | 866,577 | 91,889 | - | (2,844,869) | | (2,844,869) |
| Education | 11,923,968 | - | 92,774 | - | (11,831,194) | | (11,831,194) |
| Public works | 1,888,118 | 166,110 | 334,351 | 1,599,217 | 211,560 | | 211,560 |
| Health and human services | 896,632 | 10,306 | 200,684 | - | (685,642) | | (685,642) |
| Culture and recreation | 601,444 | 7,400 | 21,235 | 45,597 | (527,212) | | (527,212) |
| Debt service | 247,206 | - | - | - | (247,206) | | (247,206) |
| Total Governmental Activities | 21,638,126 | 1,552,391 | 1,303,167 | 1,644,814 | (17,137,754) | | (17,137,754) |
| <u>Business-Type Activities:</u> | | | | | | | |
| Water | 853,245 | 1,163,293 | - | 425,000 | | \$ 735,048 | 735,048 |
| Sewer | 1,290,914 | 1,225,951 | - | 895,000 | | 830,037 | 830,037 |
| Electric Light Department | 5,150,685 | 5,008,658 | - | 52,419 | | (89,608) | (89,608) |
| Total Business-Type Activities | 7,294,844 | 7,397,902 | - | 1,372,419 | | 1,475,477 | 1,475,477 |
| Total Primary Government | \$ 28,932,970 | \$ 8,950,293 | \$ 1,303,167 | \$ 3,017,233 | | 1,475,477 | (15,662,277) |
| <u>General Revenues:</u> | | | | | | | |
| | | | | | 16,495,205 | - | 16,495,205 |
| | | | | | 1,064,677 | - | 1,064,677 |
| | | | | | | | |
| | | | | | 928,387 | - | 928,387 |
| | | | | | 45,528 | - | 45,528 |
| | | | | | (20,090) | 364,126 | 344,036 |
| Total General Revenues | | | | | 18,513,707 | 364,126 | 18,877,833 |
| Change in Net Position | | | | | 1,375,953 | 1,839,603 | 3,215,556 |
| <u>Net Position:</u> | | | | | | | |
| Beginning of Year | | | | | 12,213,078 | 19,179,142 | 31,392,220 |
| End of Year | | | | | \$ 13,589,031 | \$ 21,018,745 | \$ 34,607,776 |

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022**

| | <u>General Fund</u> | <u>Capital Projects Funds</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------------|---------------------------------------|--|---|
| Assets: | | | | |
| Cash and cash equivalents | \$ 1,028,984 | \$ 16,323 | \$ 2,182,058 | \$ 3,227,365 |
| Investments | 3,106,739 | - | 475,486 | 3,582,225 |
| Receivables, net of allowance | | | | |
| Property taxes | 283,924 | - | - | 283,924 |
| Excise taxes | 174,919 | - | - | 174,919 |
| Departmental and other | 842,552 | - | - | 842,552 |
| Intergovernmental | - | - | 143,466 | 143,466 |
| Tax foreclosures | 358,592 | - | 2,661 | 361,253 |
| Total Assets | <u>5,795,710</u> | <u>16,323</u> | <u>2,803,671</u> | <u>8,615,704</u> |
| Total Deferred Outflows of Resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets and Deferred Outflows of Resources | <u><u>\$ 5,795,710</u></u> | <u><u>\$ 16,323</u></u> | <u><u>\$ 2,803,671</u></u> | <u><u>\$ 8,615,704</u></u> |
| Liabilities: | | | | |
| Warrants and accounts payable | \$ 112,392 | \$ - | \$ 136,216 | \$ 248,608 |
| Accrued payroll and withholdings | 83,969 | - | 4,398 | 88,367 |
| Other liabilities | 78,418 | - | - | 78,418 |
| Unearned revenue | - | - | 904,568 | 904,568 |
| Short-term notes payable | - | - | 297,900 | 297,900 |
| Total Liabilities | <u>274,779</u> | <u>-</u> | <u>1,343,082</u> | <u>1,617,861</u> |
| Deferred Inflows of Resources: | | | | |
| Unearned revenue - property taxes | 995,730 | - | - | 995,730 |
| Unearned revenue - excise taxes | 174,919 | - | - | 174,919 |
| Unearned revenue - departmental and other | 489,338 | - | - | 489,338 |
| Total Deferred Inflows of Resources | <u>1,659,987</u> | <u>-</u> | <u>-</u> | <u>1,659,987</u> |
| Fund Balances: | | | | |
| Nonspendable | - | - | 374,317 | 374,317 |
| Restricted | - | 16,323 | 1,086,272 | 1,102,595 |
| Committed | 1,591,580 | - | - | 1,591,580 |
| Assigned | 10,642 | - | - | 10,642 |
| Unassigned | 2,258,722 | - | - | 2,258,722 |
| Total Fund Balances | <u>3,860,944</u> | <u>16,323</u> | <u>1,460,589</u> | <u>5,337,856</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u><u>\$ 5,795,710</u></u> | <u><u>\$ 16,323</u></u> | <u><u>\$ 2,803,671</u></u> | <u><u>\$ 8,615,704</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, 2022**

| | | |
|---|-------------|-----------------------------|
| Total Governmental Fund Balances | | \$ 5,337,856 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 27,152,088 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the governmental funds. | | 1,659,987 |
| 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 | 872,175 | |
| Deferred inflows related to net pension liability | (1,689,352) | |
| Deferred outflows related to net other postemployment benefits liability | 466,425 | |
| Deferred inflows related to net other postemployment benefits liability | (419,485) | |
| Net effect of reporting deferred outflows and inflows of resources | | (770,237) |
| 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 | (9,640,000) | |
| Unamortized bond premiums | (739,358) | |
| Lease liabilities | (358,445) | |
| Landfill postclosure | (884,000) | |
| Compensated absences | (183,009) | |
| Net pension liability | (5,537,904) | |
| Net other postemployment benefits liability | (2,356,111) | |
| Net effect of reporting long-term liabilities | | (19,698,827) |
| Net Position of Governmental Activities | | <u>\$ 13,589,031</u> |

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, 2022**

| | General Fund | Capital Project Funds | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------------|--------------------------|-----------------------------------|--------------------------------|
| Revenues: | | | | |
| Real estate and personal property taxes, net | \$ 16,439,613 | \$ - | \$ - | \$ 16,439,613 |
| Intergovernmental | 1,088,638 | - | 1,397,327 | 2,485,965 |
| Motor vehicle and other excises | 1,050,148 | - | - | 1,050,148 |
| Departmental and other revenue | 931,271 | - | 524,858 | 1,456,129 |
| License and permits | 80,751 | - | - | 80,751 |
| Penalties and interest on taxes | 45,528 | - | - | 45,528 |
| Fines and forfeitures | 21,515 | - | - | 21,515 |
| Investment income | (1,776) | - | (18,314) | (20,090) |
| Contributions and donations | - | - | 1,390,403 | 1,390,403 |
| Total Revenues | <u>19,655,688</u> | <u>-</u> | <u>3,294,274</u> | <u>22,949,962</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,382,068 | - | 534,476 | 1,916,544 |
| Public safety | 2,263,295 | 1,231,877 | 410,973 | 3,906,145 |
| Education | 11,706,820 | - | 44,875 | 11,751,695 |
| Public works | 1,429,671 | - | 1,975,405 | 3,405,076 |
| Health and human services | 487,248 | - | 115,819 | 603,067 |
| Culture and recreation | 321,360 | - | 60,888 | 382,248 |
| Pensions and other fringes | 1,257,283 | - | - | 1,257,283 |
| State and county tax assessments | 110,471 | - | - | 110,471 |
| Debt service: | | | | |
| Principal | 608,242 | - | - | 608,242 |
| Interest | 292,551 | - | - | 292,551 |
| Total Expenditures | <u>19,859,009</u> | <u>1,231,877</u> | <u>3,142,436</u> | <u>24,233,322</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(203,321)</u> | <u>(1,231,877)</u> | <u>151,838</u> | <u>(1,283,360)</u> |
| Other Financing Sources (Uses): | | | | |
| Proceeds from issuance of debt | - | 1,695,000 | - | 1,695,000 |
| Premium from issuance of bonds | - | 27,000 | 102,847 | 129,847 |
| Transfers in | 371,431 | - | 25,858 | 397,289 |
| Transfers out | (25,858) | (29,894) | (341,537) | (397,289) |
| Total Other Financing Sources (Uses) | <u>345,573</u> | <u>1,692,106</u> | <u>(212,832)</u> | <u>1,824,847</u> |
| Change in Fund Balances | 142,252 | 460,229 | (60,994) | 541,487 |
| Fund Balances - Beginning of year | <u>3,718,692</u> | <u>(443,906)</u> | <u>1,521,583</u> | <u>4,796,369</u> |
| Fund Balances - End of year | <u>\$ 3,860,944</u> | <u>\$ 16,323</u> | <u>\$ 1,460,589</u> | <u>\$ 5,337,856</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, 2022**

| | | |
|---|-----------|----------------|
| Net Change in Fund Balances - Total Governmental Fund Balances | \$ | 541,487 |
|---|-----------|----------------|

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and depreciated/amortized over their estimated useful lives and reported as depreciation expense. The net amounts are presented here as reconciling items:

| | | |
|--|--------------|-----------|
| Capital outlays | \$ 3,491,449 | |
| Depreciation expense | (1,288,093) | |
| Net effect of reporting capital assets | | 2,203,356 |

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:

| | | |
|--|-------------|-------------|
| Premium on bonds and notes | (1,695,000) | |
| Issuance of bonds and notes | (129,847) | |
| Repayments of lease liabilities | 141,195 | |
| Amortization of premium on bonds and notes | 55,246 | |
| Principal payments of debt | 465,000 | |
| Net effect of reporting long-term debt | | (1,163,406) |

| | |
|--|---------|
| 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. | (7,854) |
|--|---------|

| | |
|--|--------|
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds | 64,117 |
|--|--------|

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 | (11,266) | |
| Landfill postclosure | 52,000 | |
| Pension benefits | 53,925 | |
| Other postemployment benefits | (356,406) | |
| Net effect of reporting long-term liabilities | | (261,747) |

| | | |
|--|-----------|-------------------------|
| Change in Net Position of Governmental Activities | \$ | <u>1,375,953</u> |
|--|-----------|-------------------------|

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022**

| | Business-Type Activities | | | |
|--|--------------------------|---------------------|-----------------------|----------------------|
| | Water Fund | Sewer Fund | Electric Light (a) | Totals |
| Assets: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 429,193 | \$ 1,489,911 | \$ 3,103,864 | \$ 5,022,968 |
| Investments | - | - | 3,291,694 | 3,291,694 |
| User fees, net of allowance | 479,094 | 494,252 | 583,578 | 1,556,924 |
| Inventory | - | - | 92,512 | 92,512 |
| Prepaid items | - | - | 22,616 | 22,616 |
| Purchased power working capital | - | - | 265,879 | 265,879 |
| Total current assets | 908,287 | 1,984,163 | 7,360,143 | 10,252,593 |
| Noncurrent assets: | | | | |
| Betterments receivable | - | 78,287 | - | 78,287 |
| Capital assets, not being depreciated | 40,162 | 209,479 | 112,092 | 361,733 |
| Capital assets, net of depreciation | 6,011,388 | 6,242,396 | 5,035,058 | 17,288,842 |
| Net other postemployment benefits asset | 35,990 | 87,806 | - | 123,796 |
| Total noncurrent assets | 6,087,540 | 6,617,968 | 5,147,150 | 17,852,658 |
| Total Assets | 6,995,827 | 8,602,131 | 12,507,293 | 28,105,251 |
| Deferred Outflows of Resources: | | | | |
| Related to net pension liability | 95,132 | 127,999 | 446,151 | 669,282 |
| Related to net other postemployment benefits liability | 36,032 | 21,737 | 4,522 | 62,291 |
| Total Deferred Outflows of Resources | 131,164 | 149,736 | 450,673 | 731,573 |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Warrants and accounts payable | 24,296 | 33,801 | 188,305 | 246,402 |
| Accrued payroll and withholdings | 5,267 | 13,034 | - | 18,301 |
| Customer deposits | - | - | 100,477 | 100,477 |
| Accrued interest expense | 23,447 | 1,701 | 27,713 | 52,861 |
| Current portion of long-term debt | 148,403 | 125,000 | 75,000 | 348,403 |
| Current portion of lease liabilities | 4,143 | 24,598 | - | 28,741 |
| Compensated absences | 1,871 | 13,049 | 14,738 | 29,658 |
| Total current liabilities | 207,427 | 211,183 | 406,233 | 824,843 |
| Noncurrent liabilities: | | | | |
| Long-term debt | 2,100,489 | 120,000 | 375,000 | 2,595,489 |
| Lease liabilities | 8,875 | 53,772 | - | 62,647 |
| Compensated absences | 3,474 | 24,233 | 7,303 | 35,010 |
| Net other postemployment benefits liability | - | - | 103,049 | 103,049 |
| Net pension liability | 604,042 | 812,733 | 2,045,751 | 3,462,526 |
| Total noncurrent liabilities | 2,716,880 | 1,010,738 | 2,531,103 | 6,258,721 |
| Total Liabilities | 2,924,307 | 1,221,921 | 2,937,336 | 7,083,564 |
| Deferred Inflows of Resources: | | | | |
| Related to net pension liability | 184,265 | 247,926 | 180,320 | 612,511 |
| Related to net other postemployment benefits liability | 32,406 | 54,816 | 34,782 | 122,004 |
| Total Deferred Inflows of Resources | 216,671 | 302,742 | 215,102 | 734,515 |
| Net Position: | | | | |
| Net investment in capital assets | 3,815,032 | 6,129,585 | 4,697,150 | 14,641,767 |
| Restricted for depreciation | - | - | 4,171,465 | 4,171,465 |
| Unrestricted | 170,981 | 1,097,619 | 936,913 | 2,205,513 |
| Total Net Position | \$ 3,986,013 | \$ 7,227,204 | \$ 9,805,528 | \$ 21,018,745 |

(a) As of December 31, 2021.

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, 2022**

| | Business-Type Activities | | | |
|---|----------------------------|----------------------------|----------------------------|-----------------------------|
| | Water Fund | Sewer Fund | Electric Light (a) | Totals |
| Operating Revenues: | | | | |
| Usage charges | \$ 1,112,881 | \$ 1,131,706 | \$ 4,998,032 | \$ 7,242,619 |
| Other operating revenues | 50,412 | 94,245 | 10,626 | 155,283 |
| Total Operating Revenues | <u>1,163,293</u> | <u>1,225,951</u> | <u>5,008,658</u> | <u>7,397,902</u> |
| Operating Expenses: | | | | |
| Operating costs | 504,391 | 898,912 | 4,799,783 | 6,203,086 |
| Depreciation | 297,955 | 375,927 | 327,886 | 1,001,768 |
| Total Operating Expenses | <u>802,346</u> | <u>1,274,839</u> | <u>5,127,669</u> | <u>7,204,854</u> |
| Total Operating Income | <u>360,947</u> | <u>(48,888)</u> | <u>(119,011)</u> | <u>193,048</u> |
| Nonoperating Income (Expenses): | | | | |
| Interest income | 244 | 648 | 363,234 | 364,126 |
| Interest expense | (50,899) | (16,075) | (23,016) | (89,990) |
| Total Nonoperating Revenues (Expenses) | <u>(50,655)</u> | <u>(15,427)</u> | <u>340,218</u> | <u>274,136</u> |
| Income Before Capital Contributions | 310,292 | (64,315) | 221,207 | 467,184 |
| Capital contributions | 425,000 | 895,000 | 52,419 | 1,372,419 |
| Total Capital Contributions | <u>425,000</u> | <u>895,000</u> | <u>52,419</u> | <u>1,372,419</u> |
| Change in Net Position | 735,292 | 830,685 | 273,626 | 1,839,603 |
| Net Position - Beginning of year | <u>3,250,721</u> | <u>6,396,519</u> | <u>9,531,902</u> | <u>19,179,142</u> |
| Net Position - End of year | <u>\$ 3,986,013</u> | <u>\$ 7,227,204</u> | <u>\$ 9,805,528</u> | <u>\$ 21,018,745</u> |

(a) As of and for the year ended December 31, 2021.

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

| | Business-Type Activities | | | |
|--|--------------------------|---------------------|-----------------------|---------------------|
| | Water Fund | Sewer Fund | Electric Light (a) | Totals |
| Cash Flows from Operating Activities: | | | | |
| Receipts from users | \$ 1,237,899 | \$ 1,260,680 | \$ 5,308,785 | \$ 7,807,364 |
| Payments to vendors | (274,887) | (399,463) | (4,128,450) | (4,802,800) |
| Payments to employees | (439,584) | (564,262) | (707,605) | (1,711,451) |
| Net Cash Provided by Operating Activities | 523,428 | 296,955 | 472,730 | 1,293,113 |
| Cash Flows from Noncapital Related Financing Activities: | | | | |
| Transfers out | - | - | (25,576) | (25,576) |
| Net Cash Used in Noncapital Related Financing Activities | - | - | (25,576) | (25,576) |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Capital contribution | 425,000 | 895,000 | 52,419 | 1,372,419 |
| Acquisition and construction of capital assets | (983,662) | (1,024,102) | (193,462) | (2,201,226) |
| Principal payments on lease liabilities | (3,955) | (22,397) | - | (26,352) |
| Principal payments on long-term debt | (181,583) | (130,000) | (75,000) | (386,583) |
| Interest paid | (52,720) | (15,914) | (17,427) | (86,061) |
| Net Cash Used in Capital and Related Financing Activities | (796,920) | (297,413) | (233,470) | (1,327,803) |
| Cash Flows from Investing Activities: | | | | |
| Investment income | 244 | 648 | 363,234 | 364,126 |
| Reinvestment of investments, net | 114,968 | 325,516 | (314,105) | 126,379 |
| Net Cash Provided by Investing Activities | 115,212 | 326,164 | 49,129 | 490,505 |
| Change in Cash and Cash Equivalents | (158,280) | 325,706 | 262,813 | 430,239 |
| Cash and Cash Equivalents: | | | | |
| Beginning of year | 587,473 | 1,164,205 | 2,841,051 | 4,592,729 |
| End of year | <u>\$ 429,193</u> | <u>\$ 1,489,911</u> | <u>\$ 3,103,864</u> | <u>\$ 5,022,968</u> |
| Reconciliation of Operating Income to Net Cash Provided Operating Activities: | | | | |
| Operating Income | \$ 360,947 | \$ (48,888) | \$ (119,011) | \$ 193,048 |
| Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities: | | | | |
| Depreciation | 297,955 | 375,927 | 327,886 | 1,001,768 |
| Changes in assets, deferred outflows (inflows) of resources and liabilities: | | | | |
| Receivables and other current assets | 74,606 | 34,729 | 381,352 | 490,687 |
| Warrants payable and other current liabilities | (40,573) | 18,283 | (39,290) | (61,580) |
| Accrued and deferred benefits | (169,507) | (83,096) | (78,207) | (330,810) |
| Net Cash Provided By Operating Activities | <u>\$ 523,428</u> | <u>\$ 296,955</u> | <u>\$ 472,730</u> | <u>\$ 1,293,113</u> |

(a) As of and for the year ended December 31, 2021.

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022**

| | <u>OPEB Trust Fund</u> |
|--|----------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 11,209 |
| Investments (at fair value): | |
| Mutual funds - fixed income | 594,126 |
| Mutual funds - equity | 1,355,146 |
| Common stock - equity | 288,339 |
| Total Investments | <u>2,237,611</u> |
| Due from general fund | <u>3,000</u> |
| Total Assets | <u>2,251,820</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>\$ 2,251,820</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, 2022

| | <u>OPEB Trust Fund</u> |
|--|----------------------------|
| Additions: | |
| Contributions: | |
| Employer | \$ 273,006 |
| Total contributions | <u>273,006</u> |
| Investment income: | |
| Interest and dividends | <u>(337,864)</u> |
| Net investment earnings | <u>(337,864)</u> |
| Total Additions | <u>(64,858)</u> |
| Deductions: | |
| Benefit payments to retirees and beneficiaries | <u>120,443</u> |
| Total Deductions | <u>120,443</u> |
| Change in Net Position | (185,301) |
| Net Position - Beginning of Year | <u>2,437,121</u> |
| Net Position - Ending of Year | <u><u>\$ 2,251,820</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, 2022

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, 2021 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 Main 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 2022, the Town’s assessment was \$10,668,759. 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 2022, the Town was assessed \$787,047. 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.

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, 2022, \$1,059,288 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, 2022 (inclusive of investments held by the Electric Department, which are as of December 31, 2021):

| Investments by Fair Value Level | Fair Value | Fair Value Measurements Using | | |
|--|--------------|-------------------------------|--------------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Debt securities: | | | | |
| U.S. government obligations | \$ 185,907 | \$ 122,834 | \$ 63,073 | \$ - |
| Corporate fixed income securities | 346,948 | - | 346,948 | - |
| Fixed income exchange traded funds | 45,069 | - | 45,069 | - |
| Fixed income mutual funds | 1,221,276 | - | 1,221,276 | - |
| Total debt securities | 1,799,200 | 122,834 | 1,676,366 | - |
| Equity securities | 769,464 | 769,464 | - | - |
| Equity mutual funds | 4,417,139 | - | 4,417,139 | - |
| Total investments measured at fair value | 6,985,803 | \$ 892,298 | \$ 6,093,505 | \$ - |
| Investments measured at amortized cost: | | | | |
| MMDT | 2,125,727 | | | |
| Total Town investments | \$ 9,111,530 | | | |

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 19% of total investments at June 30, 2022. 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, 2022 (inclusive of investments held by the Electric Department, which are as of December 31, 2021):

| Investment Type | Fair Value | Time Until Maturity (Years) | | |
|--|---------------------|-----------------------------|---------------------|-------------------|
| | | Less than 1 | 1 to 5 | 6 to 10 |
| Debt securities: | | | | |
| U.S. government obligations | \$ 185,907 | \$ 35,009 | \$ 130,548 | \$ 20,350 |
| Corporate fixed income securities | 346,948 | - | 338,006 | 8,942 |
| Fixed income exchange traded funds | 45,069 | - | 45,069 | - |
| Fixed income mutual funds | 1,221,276 | 90,145 | 879,760 | 251,371 |
| Certificates of deposit | 44,988 | - | 44,988 | - |
| Total Town investments with maturities | 1,844,188 | <u>\$ 125,154</u> | <u>\$ 1,438,371</u> | <u>\$ 280,663</u> |
| Other investments: | | | | |
| Equity securities | 769,464 | | | |
| Equity mutual funds | 4,417,139 | | | |
| Money market mutual funds | 29,907 | | | |
| MMDT | 2,125,727 | | | |
| Total Town investments | <u>\$ 9,186,425</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, 2022:

| Quality Rating (S&P) | U.S. Government Obligations | Corporate Fixed Income |
|----------------------|-----------------------------|------------------------|
| AA+ | \$ 185,907 | \$ - |
| AA- | - | 20,227 |
| A+ | - | 104,938 |
| A | - | 26,534 |
| A- | - | 15,446 |
| BBB+ | - | 118,719 |
| BBB+ | - | 61,084 |
| | <u>\$ 185,907</u> | <u>\$ 346,948</u> |

B. Receivables

Receivables as of June 30, 2022 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 | \$ 283,924 | \$ - | \$ 283,924 |
| Tax liens | 711,806 | - | 711,806 |
| Motor vehicle and other excise | 174,919 | - | 174,919 |
| Departmental and other | 130,746 | - | 130,746 |
| Intergovernmental | 143,466 | - | 143,466 |
| Totals | <u>\$ 1,444,861</u> | <u>\$ -</u> | <u>\$ 1,444,861</u> |

Receivables as of June 30, 2022 for the Town's proprietary funds (the Electric Department's balances are as of December 31, 2021) were as follows:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|--------------------------|---------------------|---------------------------------|---------------------|
| Water users fees | \$ 479,094 | \$ - | \$ 479,094 |
| Sewer user fees | 494,252 | - | 494,252 |
| Sewer betterment fees | 78,287 | - | 78,287 |
| Electric department fees | 597,164 | (13,586) | 583,578 |
| Totals | <u>\$ 1,648,797</u> | <u>\$ (13,586)</u> | <u>\$ 1,635,211</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 | \$ 1,694 | \$ - | \$ 1,694 |
| Real estate taxes | 282,230 | - | 282,230 |
| Tax liens | 711,806 | - | 711,806 |
| Motor vehicle and other excise | 174,919 | - | 174,919 |
| Departmental and other | 130,746 | - | 130,746 |
| Tax Foreclosures | 358,592 | - | 358,592 |
| Totals | <u>\$ 1,659,987</u> | <u>\$ -</u> | <u>\$ 1,659,987</u> |

C. Capital Assets

Capital asset activity in for the fiscal year ended June 30, 2022 was as follows:

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|--------------------|----------------------|
| Capital assets not being depreciated/amortized: | | | | |
| Land | \$ 2,806,877 | \$ - | \$ - | \$ 2,806,877 |
| Construction in-progress | 98,523 | 1,316,523 | (98,523) | 1,316,523 |
| Total capital assets not being depreciated/amortized | 2,905,400 | 1,316,523 | (98,523) | 4,123,400 |
| Capital assets being depreciated/amortized: | | | | |
| Buildings and improvements | 27,001,902 | 221,013 | - | 27,222,915 |
| Infrastructure | 8,421,460 | 1,955,432 | - | 10,376,892 |
| Machinery and equipment | 1,980,008 | 21,074 | - | 2,001,082 |
| Vehicles | 2,630,591 | 75,930 | - | 2,706,521 |
| Total capital assets being depreciated/amortized | 40,033,961 | 2,273,449 | - | 42,307,410 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and improvements | (10,490,455) | (701,208) | - | (11,191,663) |
| Infrastructure | (4,630,668) | (152,111) | - | (4,782,779) |
| Machinery and equipment | (1,177,710) | (149,067) | - | (1,326,777) |
| Vehicles | (1,691,796) | (285,707) | - | (1,977,503) |
| Total accumulated depreciation/amortization | (17,990,629) | (1,288,093) | - | (19,278,722) |
| Total capital assets being depreciated, net | 22,043,332 | 985,356 | - | 23,028,688 |
| Governmental activities capital assets, net | <u>\$ 24,948,732</u> | <u>\$ 2,301,879</u> | <u>\$ (98,523)</u> | <u>\$ 27,152,088</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|---------------------------|---------------------|
| General government | \$ 181,355 |
| Public safety | 428,882 |
| Education | 217,148 |
| Public works | 292,578 |
| Health and human services | 35,967 |
| Culture and recreation | 132,163 |
| Total | <u>\$ 1,288,093</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/amortized: | | | | |
| Land | \$ 352,630 | \$ - | \$ - | \$ 352,630 |
| Construction in-progress | 9,103 | - | - | 9,103 |
| Total capital assets not being depreciated/amortized | <u>361,733</u> | <u>-</u> | <u>-</u> | <u>361,733</u> |
| Capital assets being depreciated/amortized: | | | | |
| Buildings and improvements | 5,528,523 | - | - | 5,528,523 |
| Infrastructure | 26,594,679 | 2,194,701 | - | 28,789,380 |
| Machinery and equipment | 2,293,488 | 6,525 | - | 2,300,013 |
| Vehicles | 218,183 | - | - | 218,183 |
| Total capital assets being depreciated/amortized | <u>34,634,873</u> | <u>2,201,226</u> | <u>-</u> | <u>36,836,099</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and improvements | (1,527,714) | (222,097) | - | (1,749,811) |
| Infrastructure | (15,538,732) | (636,631) | - | (16,175,363) |
| Machinery and equipment | (1,266,847) | (137,054) | - | (1,403,901) |
| Vehicles | (212,196) | (5,986) | - | (218,182) |
| Total accumulated depreciation/amortization | <u>(18,545,489)</u> | <u>(1,001,768)</u> | <u>-</u> | <u>(19,547,257)</u> |
| Total capital assets being depreciated, net | <u>16,089,384</u> | <u>1,199,458</u> | <u>-</u> | <u>17,288,842</u> |
| Business-Type activities capital assets, net | <u>\$ 16,451,117</u> | <u>\$ 1,199,458</u> | <u>\$ -</u> | <u>\$ 17,650,575</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/amortized: | | | | |
| Land | \$ 31,621 | \$ - | \$ - | \$ 31,621 |
| Construction in-progress | 8,541 | - | - | 8,541 |
| Total capital assets not being depreciated/amortized | <u>40,162</u> | <u>-</u> | <u>-</u> | <u>40,162</u> |
| Capital assets being depreciated/amortized: | | | | |
| Buildings and improvements | 3,327,412 | - | - | 3,327,412 |
| Infrastructure | 5,456,138 | 983,662 | - | 6,439,800 |
| Machinery and equipment | 215,824 | - | - | 215,824 |
| Vehicles | 104,624 | - | - | 104,624 |
| Total capital assets being depreciated/amortized | <u>9,103,998</u> | <u>983,662</u> | <u>-</u> | <u>10,087,660</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and improvements | (733,242) | (164,634) | - | (897,876) |
| Infrastructure | (2,841,766) | (111,487) | - | (2,953,253) |
| Machinery and equipment | (100,896) | (19,623) | - | (120,519) |
| Vehicles | (102,413) | (2,211) | - | (104,624) |
| Total accumulated depreciation/amortization | <u>(3,778,317)</u> | <u>(297,955)</u> | <u>-</u> | <u>(4,076,272)</u> |
| Total capital assets being depreciated, net | <u>5,325,681</u> | <u>685,707</u> | <u>-</u> | <u>6,011,388</u> |
| Water capital assets, net | <u>\$ 5,365,843</u> | <u>\$ 685,707</u> | <u>\$ -</u> | <u>\$ 6,051,550</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/amortized: | | | | |
| Land | \$ 208,917 | \$ - | \$ - | \$ 208,917 |
| Construction in-progress | 562 | - | - | 562 |
| Total capital assets not being depreciated/amortized | <u>209,479</u> | <u>-</u> | <u>-</u> | <u>209,479</u> |
| Capital assets being depreciated/amortized: | | | | |
| Buildings and improvements | 1,417,567 | - | - | 1,417,567 |
| Infrastructure | 11,637,993 | 1,024,102 | - | 12,662,095 |
| Machinery and equipment | 755,558 | - | - | 755,558 |
| Vehicles | 113,559 | - | - | 113,559 |
| Total capital assets being depreciated/amortized | <u>13,924,677</u> | <u>1,024,102</u> | <u>-</u> | <u>14,948,779</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and improvements | (373,782) | (53,835) | - | (427,617) |
| Infrastructure | (7,580,375) | (255,506) | - | (7,835,881) |
| Machinery and equipment | (266,516) | (62,811) | - | (329,327) |
| Vehicles | (109,783) | (3,775) | - | (113,558) |
| Total accumulated depreciation/amortization | <u>(8,330,456)</u> | <u>(375,927)</u> | <u>-</u> | <u>(8,706,383)</u> |
| Total capital assets being depreciated, net | <u>5,594,221</u> | <u>648,175</u> | <u>-</u> | <u>6,242,396</u> |
| Sewer capital assets, net | <u>\$ 5,803,700</u> | <u>\$ 648,175</u> | <u>\$ -</u> | <u>\$ 6,451,875</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/amortized: | | | | |
| Land | \$ 112,092 | \$ - | \$ - | \$ 112,092 |
| Capital assets being depreciated/amortized: | | | | |
| Buildings and improvements | 783,544 | - | - | 783,544 |
| Infrastructure | 9,500,548 | 186,937 | - | 9,687,485 |
| Machinery and equipment | 1,322,106 | 6,525 | - | 1,328,631 |
| Total capital assets being depreciated/amortized | <u>11,606,198</u> | <u>193,462</u> | <u>-</u> | <u>11,799,660</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and improvements | (420,690) | (3,628) | - | (424,318) |
| Infrastructure | (5,116,591) | (269,638) | - | (5,386,229) |
| Machinery and equipment | (899,435) | (54,620) | - | (954,055) |
| Total accumulated depreciation/amortization | <u>(6,436,716)</u> | <u>(327,886)</u> | <u>-</u> | <u>(6,764,602)</u> |
| Total capital assets being depreciated, net | <u>5,169,482</u> | <u>(134,424)</u> | <u>-</u> | <u>5,035,058</u> |
| Electric Light capital assets, net | <u>\$ 5,281,574</u> | <u>\$ (134,424)</u> | <u>\$ -</u> | <u>\$ 5,147,150</u> |
| | | | | |
| (concluded) | | | | |

D. Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2022, are as follows:

| Transfers Out | Transfers In | | | |
|-----------------------------|-------------------|-----------------------------|-------------------|-----|
| | General Fund | Nonmajor Governmental Funds | Total | |
| General Fund | \$ - | \$ 25,858 | \$ 25,858 | (1) |
| Capital Projects Fund | 29,894 | - | 29,894 | (2) |
| Nonmajor Governmental Funds | 341,537 | - | 341,537 | (2) |
| Totals | <u>\$ 371,431</u> | <u>\$ 25,858</u> | <u>\$ 397,289</u> | |

- (1) Miscellaneous transfer of unspent funds to original funding source.
(2) Close out of capital project, budgeted transfers to the general fund to supplement the budget, and to close out FEMA activities.

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, 2022:

| 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 | 150,000 | - | 297,900 |
| | | | <u>\$ 669,900</u> | <u>\$ 150,000</u> | <u>\$ (522,000)</u> | <u>\$ 297,900</u> |

Temporary notes were issued and outstanding at year end for the Brownfield project.

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 | \$ 8,410,000 | \$ 1,695,000 | \$ (465,000) | \$ 9,640,000 | \$ 570,000 |
| Unamortized bond premiums | 664,757 | 129,847 | (55,246) | 739,358 | 70,258 |
| Lease obligations | 499,640 | - | (141,195) | 358,445 | 147,241 |
| Landfill monitoring | 936,000 | - | (52,000) | 884,000 | 52,000 |
| Compensated absences | 171,743 | 71,376 | (60,110) | 183,009 | 64,053 |
| Net OPEB liability | 1,764,741 | 1,226,152 | (634,782) | 2,356,111 | - |
| Net pension liability | 6,639,484 | 1,479,132 | (2,580,712) | 5,537,904 | - |
| Total Governmental Activities | <u>\$ 19,086,365</u> | <u>\$ 4,601,507</u> | <u>\$ (3,989,045)</u> | <u>\$ 19,698,827</u> | <u>\$ 903,552</u> |
| <i>Water:</i> | | | | | |
| General obligation bonds | \$ 225,000 | \$ - | \$ (105,000) | \$ 120,000 | \$ 70,000 |
| Direct borrowings and placements | 2,205,475 | - | (76,583) | 2,128,892 | 78,403 |
| Lease obligations | 16,973 | - | (3,955) | 13,018 | 4,143 |
| Compensated absences | 2,141 | 3,953 | (749) | 5,345 | 1,871 |
| Net OPEB liability (asset) | 104,907 | 62,955 | (203,852) | (35,990) | - |
| Net pension liability | 724,196 | 161,335 | (281,489) | 604,042 | - |
| Total Water | <u>\$ 3,278,692</u> | <u>\$ 228,243</u> | <u>\$ (671,628)</u> | <u>\$ 2,835,307</u> | <u>\$ 154,417</u> |
| <i>Sewer:</i> | | | | | |
| General obligation bonds | \$ 375,000 | \$ - | \$ (130,000) | \$ 245,000 | \$ 125,000 |
| Lease obligations | 100,767 | - | (23,477) | 77,290 | 24,598 |
| Compensated absences | 33,890 | 15,254 | (11,862) | 37,282 | 13,049 |
| Net OPEB liability (asset) | (21,820) | 81,138 | (147,124) | (87,806) | - |
| Net pension liability | 974,399 | 217,075 | (378,741) | 812,733 | - |
| Total Sewer | <u>\$ 1,462,236</u> | <u>\$ 313,467</u> | <u>\$ (691,204)</u> | <u>\$ 1,084,499</u> | <u>\$ 162,647</u> |
| <i>Electric Light:</i> | | | | | |
| General obligation bonds | \$ 525,000 | \$ - | \$ (75,000) | \$ 450,000 | \$ 75,000 |
| Compensated absences | 44,113 | 6,175 | (28,247) | 22,041 | 14,738 |
| Net OPEB liability | 199,942 | - | (96,893) | 103,049 | - |
| Net pension liability | 2,105,925 | - | (60,174) | 2,045,751 | - |
| Total Electric Light | <u>\$ 2,874,980</u> | <u>\$ 6,175</u> | <u>\$ (260,314)</u> | <u>\$ 2,620,841</u> | <u>\$ 89,738</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, 2022 (December 31, 2021 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% | \$ 8,410,000 | \$ 1,695,000 | \$ (465,000) | \$ 9,640,000 |
| <i>Water:</i> | | | | | |
| General obligation bonds | 2.00 - 3.00% | \$ 225,000 | \$ - | \$ (105,000) | \$ 120,000 |
| MCWT notes | 2.00 - 2.40% | 2,205,475 | - | (76,583) | 2,128,892 |
| Total Water | | 2,430,475 | - | (181,583) | 2,248,892 |
| <i>Sewer:</i> | | | | | |
| General obligation bonds | 2.00 - 5.00% | 375,000 | - | (130,000) | 245,000 |
| <i>Electric Light:</i> | | | | | |
| General obligation bonds | 3.00 - 5.00% | 525,000 | - | (75,000) | 450,000 |
| Total Business-Type Activities | | \$ 3,330,475 | \$ - | \$ (386,583) | \$ 2,943,892 |

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 |
| 2023 | \$ 570,000 | \$ 326,052 | \$ 896,052 | \$ - | \$ - | \$ - |
| 2024 | 485,000 | 307,058 | 792,058 | - | - | - |
| 2025 | 375,000 | 286,708 | 661,708 | - | - | - |
| 2026 | 395,000 | 67,458 | 462,458 | - | - | - |
| 2027 | 405,000 | 247,458 | 652,458 | - | - | - |
| 2028 - 2032 | 2,020,000 | 968,613 | 2,988,613 | - | - | - |
| 2033 - 2037 | 2,110,000 | 621,531 | 2,731,531 | - | - | - |
| 2038 - 2042 | 2,085,000 | 321,802 | 2,406,802 | - | - | - |
| 2043 - 2045 | 1,195,000 | 53,922 | 1,248,922 | - | - | - |
| | <u>\$ 9,640,000</u> | <u>\$ 3,200,602</u> | <u>\$ 12,840,602</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 |
| 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 | 75,000 | 10,500 | 85,500 | 86,127 | 41,390 | 127,517 |
| 2028 - 2032 | 75,000 | 9,000 | 84,000 | 462,351 | 177,608 | 639,959 |
| 2033 - 2037 | - | - | - | 466,570 | 124,229 | 590,799 |
| 2038 - 2042 | - | - | - | 299,665 | 80,648 | 380,313 |
| 2043 - 2047 | - | - | - | 340,417 | 42,782 | 383,199 |
| 2048 - 2049 | - | - | - | 148,795 | 5,379 | 154,174 |
| | <u>\$ 815,000</u> | <u>\$ 92,369</u> | <u>\$ 907,369</u> | <u>\$ 2,128,892</u> | <u>\$ 655,670</u> | <u>\$ 2,784,562</u> |

| Water | | | | | | |
|-------------------------|--------------------------|-----------------|-------------------|----------------------------------|-------------------|---------------------|
| Year Ending June 30, | General Obligation Bonds | | | Direct Borrowings and Placements | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 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 | - | - | - | 86,127 | 41,390 | 127,517 |
| 2028 - 2032 | - | - | - | 462,351 | 177,608 | 639,959 |
| 2033 - 2037 | - | - | - | 466,570 | 124,229 | 590,799 |
| 2038 - 2042 | - | - | - | 299,665 | 80,648 | 380,313 |
| 2043 - 2047 | - | - | - | 340,417 | 42,782 | 383,199 |
| 2048 - 2049 | - | - | - | 148,795 | 5,379 | 154,174 |
| | <u>\$ 120,000</u> | <u>\$ 3,300</u> | <u>\$ 123,300</u> | <u>\$ 2,128,892</u> | <u>\$ 655,670</u> | <u>\$ 2,784,562</u> |

| Sewer | | | | | | |
|-------------------------|--------------------------|-----------------|-------------------|----------------------------------|-------------|-------------|
| Year Ending June 30, | General Obligation Bonds | | | Direct Borrowings and Placements | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2023 | \$ 125,000 | \$ 7,366 | \$ 132,366 | \$ - | \$ - | \$ - |
| 2024 | 120,000 | 2,438 | 122,438 | - | - | - |
| | <u>\$ 245,000</u> | <u>\$ 9,804</u> | <u>\$ 254,804</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

| Electric Light | | | | | | |
|-------------------------|--------------------------|------------------|-------------------|----------------------------------|-------------|-------------|
| Year Ending June 30, | General Obligation Bonds | | | Direct Borrowings and Placements | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 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 | 75,000 | 10,500 | 85,500 | - | - | - |
| 2028 - 2029 | 75,000 | 9,000 | 84,000 | - | - | - |
| | <u>\$ 450,000</u> | <u>\$ 79,265</u> | <u>\$ 529,265</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

The Town had no authorized and unissued debt outstanding as of June 30, 2022.

G. Lease Liabilities

The Town is party to noncancellable leases for the purchase of a street sweeper and fire truck. For financial reporting purposes, these leases have been capitalized. Lease payment requirements as of June 30, 2022, were as follows:

| Governmental Activities | | | |
|----------------------------------|-------------------|------------------|------------------|
| Year Ended | | | |
| June 30, | Principal | Interest | Total |
| 2023 | \$ 147,241 | \$ 10,274 | \$157,515 |
| 2024 | 122,659 | 5,655 | 128,314 |
| 2025 | 88,545 | 1,763 | 90,308 |
| | <u>\$ 358,445</u> | <u>\$ 17,692</u> | <u>\$376,137</u> |
| Business-Type Activities - Water | | | |
| Year Ended | | | |
| June 30, | Principal | Interest | Total |
| 2023 | \$ 4,143 | \$ 318 | \$ 4,461 |
| 2024 | 4,339 | 206 | 4,545 |
| 2025 | 4,536 | 90 | 4,626 |
| | <u>\$ 13,018</u> | <u>\$ 614</u> | <u>\$ 13,632</u> |
| Business-Type Activities - Sewer | | | |
| Year Ended | | | |
| June 30, | Principal | Interest | Total |
| 2023 | \$ 24,598 | \$ 1,886 | \$ 26,484 |
| 2024 | 25,761 | 1,227 | 26,988 |
| 2025 | 26,931 | 536 | 27,467 |
| | <u>\$ 77,290</u> | <u>\$ 3,649</u> | <u>\$ 80,939</u> |

The historical cost, accumulated amortization and net carrying value of assets under lease as of June 30, 2022, were as follows:

| Description | Amount |
|--------------------------------|-------------------|
| Airpack Lease | \$ 141,364 |
| Dump Truck | 174,860 |
| Energy Lease (Governmental) | 753,927 |
| Energy Lease (Water) | 38,625 |
| Energy Lease (Sewer) | 229,301 |
| Total cost | 1,338,077 |
| Less: accumulated amortization | (749,478) |
| Total | <u>\$ 588,599</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, 2022.

I. Fund Balances

The components of fund balances as listed in aggregate in the governmental funds balance sheet at June 30, 2022 were as follows:

| | General Fund | Capital Project Funds | Nonmajor Governmental Funds | Total |
|---------------------------|---------------------|-----------------------------|-----------------------------------|---------------------|
| Nonspendable: | | | | |
| Perpetual permanent funds | \$ - | \$ - | \$ 374,317 | \$ 374,317 |
| Restricted: | | | | |
| General government | - | - | 357,871 | 357,871 |
| Public safety | - | 13,763 | 192,105 | 205,868 |
| Education | - | - | 125 | 125 |
| Public works | - | 2,560 | 309,026 | 311,586 |
| Health and human services | - | - | 161,614 | 161,614 |
| Culture and recreation | - | - | 65,531 | 65,531 |
| Committed: | | | | |
| General government | 428,710 | - | - | 428,710 |
| Public safety | 183,559 | - | - | 183,559 |
| Education | 191,800 | - | - | 191,800 |
| Public works | 696,294 | - | - | 696,294 |
| Culture and recreation | 90,558 | - | - | 90,558 |
| Pension and other fringes | 659 | - | - | 659 |
| Assigned: | | | | |
| General government | 7,306 | - | - | 7,306 |
| Public safety | 3,073 | - | - | 3,073 |
| Health and human services | 263 | - | - | 263 |
| Unassigned | 2,258,722 | - | - | 2,258,722 |
| Totals | <u>\$ 3,860,944</u> | <u>\$ 16,323</u> | <u>\$ 1,460,589</u> | <u>\$ 5,337,856</u> |

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 \$1,275,128 at June 30, 2022 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 \$1,591,580 of articles from Town Meeting votes in the general fund as committed and \$10,642 of encumbrances from normal purchasing activity in the general fund as assigned at June 30, 2022. 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 System), a cost-sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (MGL) and administered by the Essex Regional Retirement Board. Stand-alone audited financial statements for the year ended December 31, 2021, were issued and may be obtained by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers MA 01923.

Membership – Membership in the System as of December 31, 2021, was as follows:

| | |
|--|---------------------|
| Active members | 3,118 |
| Inactive members entitled to a return of their contributions | 972 |
| Retired members, beneficiaries and survivors | <u>2,039</u> |
| Total | <u><u>6,129</u></u> |

Benefit Terms – The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform, with certain exceptions, from retirement system to retirement system. The 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. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and group classification.

Contributions Requirements – The System has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040 (the System's current funding schedule allows for full funding by June 30, 2035). Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town (including the Light Department) contributed \$1,018,150 to the System in fiscal year 2022, which equaled the actuarially determined contribution requirement for the year. The Town's contributions as a percentage of covered payroll was approximately 25.7% in fiscal year 2022.

Net Pension Liability – As of June 30, 2022, the Town reported a liability of \$6,954,679 for its proportionate share of the net pension liability. The net pension liability reported by the System at December 31, 2021 (used for fiscal year end June 30, 2022) is \$8,531,666. The difference between these two figures is attributable to the difference in fiscal year ends between the Town and Light Department, which results in a one-year lag.

The Town's (excluding the Light Department) net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021. These figures were updated by the independent actuary as of December 31, 2021. The Light Department's net 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, 2019. 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 and Light Department's proportionate share were approximately 2.46% as of December 31, 2021.

Pension Expense – The Town (excluding the Light Department) recognized \$762,236 in pension expense in the statement of activities in fiscal year 2021; and the Light Department recognized \$396,622 at December 31, 2021 (using the System's report for December 31, 2020).

Deferred Outflows of Resources and Deferred Inflows of Resources – As of June 30, 2022, the Town and Light Department (as of December 31, 2021) 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 | \$ 579 | \$ 212,804 | \$ 224 | \$ (1,754) |
| Changes of assumptions | 770,379 | - | 136,857 | - |
| Net difference between projected and actual earnings | - | 1,541,667 | - | (152,205) |
| Changes in proportion differences | 324,348 | 367,072 | 114,254 | (26,361) |
| Contributions made subsequent to the measurement date | - | - | 194,816 | - |
| Totals | <u>\$ 1,095,305</u> | <u>\$ 2,121,543</u> | <u>\$ 446,151</u> | <u>\$ (180,320)</u> |

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

| | Town | | Electric Department | |
|-------|----------|--------------------|---------------------|-------------------|
| | June 30, | Amount | December 31, | Amount |
| 2022 | \$ | - | 2022 | \$ 227,556 |
| 2023 | | (130,151) | 2023 | 41,911 |
| 2024 | | (259,586) | 2024 | 7,957 |
| 2025 | | (339,605) | 2025 | (11,593) |
| 2026 | | (296,895) | 2026 | - |
| Total | \$ | <u>(1,026,238)</u> | Total | <u>\$ 265,831</u> |

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, 2022. The significant actuarial assumptions used in the January 1, 2022, actuarial valuation included:

| | |
|----------------------------|---|
| Investment Rate of Return | Full prefunding: 7.0% per year, net of investment expenses |
| Discount Rate | 7.00% |
| Inflation | 2.75% |
| Salary increases | 7.5% decreasing to 3.75% after 5 years of service |
| Cost of Living Adjustment | 2% on first \$14,000 in 2021 and 3% on first \$16,000 thereafter |
| Pre-Retirement Mortality | RP-2014 Employee Mortality Table projected generationally using Scale MP-2021 |
| Post-Retirement Mortality | RP-2014 Healthy Annuitant Mortality Table projected generationally using Scale MP-2021 |
| Disabled Retiree Mortality | RP-2014 Healthy Annuitant Mortality Table set forward 1 year projected generationally using Scale MP-2021 |

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 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:

| Asset Class | Target Allocation | Expected Investment Rate of Return |
|--------------------------------|-------------------|------------------------------------|
| Domestic equity | 22.00% | 6.11% |
| International equity | 11.50% | 6.49% |
| International emerging markets | 4.50% | 8.12% |
| Core fixed income | 15.00% | 0.38% |
| High-yield fixed income | 8.00% | 2.48% |
| Private equity | 15.00% | 9.93% |
| Real estate | 10.00% | 3.72% |
| Timberland | 4.00% | 3.44% |
| Hedge funds, PCS | 10.00% | 2.63% |
| Total | 100.00% | |

Discount Rate – The discount rate used to measure the Town’s and Light Department’s pension liability was 7.00%. 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 shares of the net pension liability calculated using the current discount rate as well as using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

| Net Pension Liability | | | |
|-----------------------|---------------|--------------|--------------|
| Discount Rate | | | |
| Current Rate | 1% Decrease | Current Rate | 1% Increase |
| 7.00% | \$ 11,537,963 | \$ 8,531,666 | \$ 6,007,081 |

The above amounts include the sensitivity analysis for both the Town and Light Department as reflected in the actuarially report. The amounts vary from the recorded amounts due to the reported Light Department amounts lagging by one year.

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 Massachusetts General Law Chapter 32B.

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 that impact the net OPEB liability using a measurement and plan year-end date of June 30, 2022, for the Town and December 31, 2021 for the Light Department are summarized as follows:

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

| | Town | Light |
|--------------------|------|-------|
| Active employees | 51 | 6 |
| Inactive employees | 19 | 3 |
| Total | 70 | 9 |

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 set premium for medical and life insurance; dental insurance is not offered. The remainder of the cost is funded by general revenues of the Town and Light Department.

The Town and Light Department currently contribute enough money to the Plan to satisfy current service cost. The costs of administering the OPEB Plan are paid by the Town. The Town and Light Department average contribution rate was 6.58% and 6.05% respectively of covered-employee payroll.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2022 using an actuarial valuation as of July 1, 2021 and the Light Department was measured as of June 30, 2021 using an actuarial valuation as of July 1, 2019. The components of the net OPEB liability were as follows:

| | Town | Light |
|---|--------------|------------|
| Total OPEB liability | \$ 4,011,899 | \$ 610,662 |
| Plan fiduciary net position | (1,779,584) | (507,613) |
| Net OPEB liability | \$ 2,232,315 | \$ 103,049 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 44.4% | 83.1% |

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

| | |
|---------------------------------|--|
| Actuarial cost method | Individual entry age normal |
| Single equivalent discount rate | 6.25% Town; 6.75% Light |
| Inflation | 2.50% |
| Healthcare trend rate | Getzen Model |
| 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 changes in assumptions during the year-ended June 30, 2022.

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 | 22.75% | 4.42% |
| Domestic equity - small/mid cap | 14.75% | 4.81% |
| International equity - developed markets | 12.00% | 4.91% |
| International equity - emerging markets | 6.75% | 5.58% |
| Domestic fixed income | 22.00% | 1.00% |
| International fixed income | 4.50% | 1.04% |
| Alternatives | 16.75% | 5.98% |
| Real estate | 0.00% | 6.25% |
| Cash and cash equivalents | 0.50% | 0.00% |
| | 100.00% | |
| Real rate of return | | 3.95% |
| Inflation assumption | | 2.50% |
| Total nominal return | | 6.45% |
| Investment expense | | 0.25% |
| Net investment return | | 6.20% |

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

| | Current Discount Rate | Net OPEB Liability At | | |
|-------|--------------------------|-----------------------|--------------|--------------|
| | | 1% Decrease | Current Rate | 1% Increase |
| Town | 6.25% | \$ 2,842,897 | \$ 2,232,315 | \$ 1,740,211 |
| Light | 6.75% | 135,105 | 103,049 | 76,547 |

| | Healthcare Cost Trend Rate | Net OPEB Liability At | | |
|-------|-------------------------------|-----------------------|--------------|--------------|
| | | 1% Decrease | Current Rate | 1% Increase |
| Town | 4.50% | \$ 1,693,492 | \$ 2,232,315 | \$ 2,911,866 |
| Light | 4.50% | 73,932 | 103,049 | 139,146 |

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

| | Town | | | Light | | |
|--|-------------------------|--------------------------------|-----------------------|-------------------------|--------------------------------|-----------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| | (a) | (b) | (a) - (b) | (a) | (b) | (a) - (b) |
| Balances at beginning of year | \$3,777,336 | \$ 1,929,508 | \$ 1,847,828 | \$ 572,139 | \$ 372,197 | \$ 199,942 |
| Changes for the year: | | | | | | |
| Service cost | 120,443 | - | 120,443 | 17,839 | - | 17,839 |
| Interest | 258,284 | - | 258,284 | 47,500 | - | 47,500 |
| Difference between expected and actual experience | (532,026) | | (532,026) | (17,058) | - | (17,058) |
| Change in assumptions | 532,925 | - | 532,925 | - | - | - |
| Employer contributions | - | 260,063 | (260,063) | - | 45,758 | (45,758) |
| Net investment income | - | (264,924) | 264,924 | - | 99,416 | (99,416) |
| Benefit payments withdrawn | - | (145,063) | 145,063 | - | (9,758) | 9,758 |
| Benefit payments | (145,063) | - | (145,063) | (9,758) | - | (9,758) |
| Net changes | 234,563 | (149,924) | 384,487 | 38,523 | 135,416 | (96,893) |
| Balances at end of year | <u>\$4,011,899</u> | <u>\$ 1,779,584</u> | <u>\$ 2,232,315</u> | <u>\$ 610,662</u> | <u>\$ 507,613</u> | <u>\$ 103,049</u> |

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – The Town and Light Department recognized OPEB expense of \$590,054 and \$17,634 respectively. Deferred outflows of resources and deferred inflows of resources related to OPEB were reported as follows:

| | Town | | Light | |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes in assumptions | \$ 456,793 | \$ 19,666 | \$ - | \$ - |
| Differences between expected and actual earnings | 126,280 | - | 4,522 | - |
| Differences between expected and actual experience | 10,158 | 516,865 | - | 34,782 |
| | <u>\$ 593,231</u> | <u>\$ 536,531</u> | <u>\$ 4,522</u> | <u>\$ 34,782</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 | | Light | |
|---------------------|------------------|-------------------------|--------------------|
| Year Ended June 30, | Amount | Year Ended December 31, | Amount |
| 2023 | \$ 4,243 | 2022 | \$ (16,065) |
| 2024 | 3,908 | 2023 | (4,100) |
| 2025 | (9,326) | 2024 | (4,117) |
| 2026 | 57,616 | 2025 | (4,856) |
| 2027 | 128 | 2026 | (1,122) |
| thereafter | 131 | thereafter | - |
| Total | <u>\$ 56,700</u> | Total | <u>\$ (30,260)</u> |

Investment Custody – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Policy – The OPEB Plan follows the same investment policies that apply to all other Town Trust funds. Notably it can be invested in accordance with State Statutes that govern Trust investments including PRIM which is an external investment pool managed by the State.

Investment Rate of Return – The annual money-weighted rate of return on investments, net of investment expense, was minus 13.19% and 25.33% respectively for the Town and Light Department. 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, 2022, 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, 2022.

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 2021, this solar agreement provided approximately 7.1% 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 \$884,000 as the estimate of the landfill post-closure care liability as of June 30, 2022 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 June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's 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 established accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's 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 was 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 became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

B. Future Year Implementations

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. 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 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for decision making or assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2023 (fiscal year 2024). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 101, *Compensate Absences*. The objective of this Statement is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2023 (fiscal year 2025). 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, 2022

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 |
|------------------------|---|--|--------------------|---|--|
| 2022 | 2.58% | \$ 8,531,666 | \$ 3,964,240 | 215.2% | 67.0% |
| 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 |
|------------------------|---|--|-------------------------------------|--------------------|--|
| 2022 | \$ 1,018,150 | \$ 1,018,150 | \$ - | \$ 3,964,240 | 25.7% |
| 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 - UNAUDITED
YEARS ENDED JUNE 30, 2022**

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

| | Year Ended June 30, | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Total OPEB liability: | | | | | | |
| Service cost | \$ 120,443 | \$ 98,735 | \$ 95,655 | \$ 109,903 | \$ 104,442 | \$ 94,549 |
| Interest | 258,284 | 233,583 | 226,104 | 213,286 | 231,125 | 220,885 |
| Changes of assumptions | 532,925 | - | (34,417) | - | - | - |
| Difference between expected and actual plan experience | (532,026) | 17,058 | (147,902) | 11,345 | (40,899) | 194,887 |
| Benefit payments | (145,063) | (102,971) | (105,264) | (116,997) | (97,460) | (198,835) |
| Net change in total OPEB liability | 234,563 | 246,405 | 34,176 | 217,537 | 197,208 | 311,486 |
| Total OPEB liability - beginning of year | 3,777,336 | 3,530,931 | 3,496,755 | 3,279,218 | 3,082,010 | 2,770,524 |
| Total OPEB liability - end of year (a) | <u>\$ 4,011,899</u> | <u>\$ 3,777,336</u> | <u>\$ 3,530,931</u> | <u>\$ 3,496,755</u> | <u>\$ 3,279,218</u> | <u>\$ 3,082,010</u> |
| Plan fiduciary net position: | | | | | | |
| Contributions - employer | \$ 260,063 | \$ 227,417 | \$ 222,864 | \$ 232,997 | \$ 287,597 | \$ 455,335 |
| Net investment income | (264,924) | 379,148 | 34,029 | 62,292 | 14,019 | 53,866 |
| Benefit payments | (145,063) | (102,971) | (105,264) | (116,997) | (97,460) | (198,835) |
| Net change in Plan fiduciary net position | (149,924) | 503,594 | 151,629 | 178,292 | 204,156 | 310,366 |
| Plan fiduciary net position - beginning of year | 1,929,508 | 1,425,914 | 1,274,285 | 1,095,993 | 891,837 | 581,471 |
| Plan fiduciary net position - end of year (b) | <u>1,779,584</u> | <u>1,929,508</u> | <u>1,425,914</u> | <u>1,274,285</u> | <u>1,095,993</u> | <u>891,837</u> |
| Net OPEB liability - end of year (a) - (b) | <u>\$ 2,232,315</u> | <u>\$ 1,847,828</u> | <u>\$ 2,105,017</u> | <u>\$ 2,222,470</u> | <u>\$ 2,183,225</u> | <u>\$ 2,190,173</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 44.36% | 51.08% | 40.38% | 36.44% | 33.42% | 28.94% |
| Covered payroll | \$ 3,950,032 | \$ 3,079,270 | \$ 3,083,237 | \$ 2,400,727 | \$ 3,298,221 | \$ 2,345,155 |
| Net OPEB liability as a percentage of covered payroll | 56.51% | 60.01% | 68.27% | 92.57% | 66.19% | 93.39% |

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 - UNAUDITED
YEARS ENDED JUNE 30, 2022**

**SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

| | Year Ended June 30, | | | | | |
|--|---------------------|--------------------|------------------|------------------|--------------------|---------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Actuarially-determined contribution | \$ 233,079 | \$ 210,975 | \$ 272,616 | \$ 284,204 | \$ 277,548 | \$ 285,996 |
| Contributions in relation to the actuarially-determined contribution | (260,063) | (227,417) | (222,864) | (232,997) | (287,597) | (455,335) |
| Contribution deficiency (excess) | <u>\$ (26,984)</u> | <u>\$ (16,442)</u> | <u>\$ 49,752</u> | <u>\$ 51,207</u> | <u>\$ (10,049)</u> | <u>\$ (169,339)</u> |
| Covered-employee payroll | \$ 3,950,032 | \$ 3,079,270 | \$ 3,083,237 | \$ 2,400,727 | \$ 3,298,221 | \$ 2,345,155 |
| Contribution as a percentage of covered-employee payroll | 6.58% | 7.39% | 7.23% | 9.71% | 8.72% | 19.42% |

Notes to Schedule:

| | |
|---------------------------------|---|
| Valuation Date | July 1, 2021 |
| 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 | 6.25% |
| Inflation | 2.50% |
| Healthcare Cost Trend Rates | Getzen model |

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

| | Year Ended June 30, | | | | | |
|--|---------------------|--------|-------|-------|-------|-------|
| | 2021 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Annual money-weighted rate of return, net of investment expenses | -13.19% | 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

**REQUIRED SUPPLEMENTARY INFORMATION - ELECTRIC LIGHT - UNAUDITED
YEARS ENDED JUNE 30, 2022**

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

| | Year Ended December 31, | | | | |
|---|-------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Total OPEB liability: | | | | | |
| Service cost | \$ 17,839 | \$ 17,282 | \$ 12,181 | \$ 11,576 | \$ 14,388 |
| Interest | 47,500 | 36,969 | 34,226 | 1,748 | 2,918 |
| Changes of assumptions | - | - | - | - | - |
| Difference between expected and actual plan experience | (17,058) | 33,572 | (11,345) | 27,124 | (234,001) |
| Benefit payments | (9,758) | (9,975) | (9,685) | (8,142) | (16,158) |
| Net change in total OPEB liability | 38,523 | 77,848 | 25,377 | 32,306 | (232,853) |
| Total OPEB liability - beginning of year | 572,139 | 494,291 | 468,914 | 436,608 | 669,461 |
| Total OPEB liability - end of year (a) | <u>\$ 610,662</u> | <u>\$ 572,139</u> | <u>\$ 494,291</u> | <u>\$ 468,914</u> | <u>\$ 436,608</u> |
| Plan fiduciary net position: | | | | | |
| Contributions - employer | \$ 45,758 | \$ 45,975 | \$ 24,685 | \$ 38,762 | \$ 55,229 |
| Net investment income | 99,416 | 8,815 | 19,961 | 37,857 | 13,527 |
| Benefit payments | (9,758) | (9,975) | (9,685) | (8,142) | (16,158) |
| Net change in Plan fiduciary net position | 135,416 | 44,815 | 34,961 | 68,477 | 52,598 |
| Plan fiduciary net position - beginning of year | 372,197 | 327,382 | 292,421 | 223,944 | 171,346 |
| Plan fiduciary net position - end of year (b) | <u>507,613</u> | <u>372,197</u> | <u>327,382</u> | <u>292,421</u> | <u>223,944</u> |
| Net OPEB liability - end of year (a) - (b) | <u>\$ 103,049</u> | <u>\$ 199,942</u> | <u>\$ 166,909</u> | <u>\$ 176,493</u> | <u>\$ 212,664</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 83.13% | 65.05% | 66.23% | 62.36% | 51.29% |
| Covered payroll | \$ 755,713 | \$ 640,047 | \$ 647,683 | \$ 623,544 | \$ 561,400 |
| Net OPEB liability as a percentage of covered payroll | 13.64% | 31.24% | 25.77% | 28.30% | 37.88% |

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 - ELECTRIC LIGHT - UNAUDITED
YEARS ENDED JUNE 30, 2022**

**SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

| | Year Ended December 31, | | | | |
|--|-------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Actuarially-determined contribution | \$ 9,758 | \$ 9,975 | \$ 9,685 | \$ 8,142 | \$ 16,158 |
| Contributions in relation to the actuarially-determined contribution | (45,758) | (45,975) | (24,685) | (38,762) | (55,229) |
| Contribution deficiency (excess) | <u>\$ (36,000)</u> | <u>\$ (36,000)</u> | <u>\$ (15,000)</u> | <u>\$ (30,620)</u> | <u>\$ (39,071)</u> |
| Covered-employee payroll | \$ 755,713 | \$ 640,047 | \$ 647,683 | \$ 623,544 | \$ 561,400 |
| Contribution as a percentage of covered-employee payroll | 6.05% | 7.18% | 3.81% | 6.22% | 9.84% |

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 December 31, | | | | |
|--|-------------------------|-------|-------|-------|-------|
| | 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, 2022

| | Budgeted Amounts | | Actual | | Actual | Variance |
|--|------------------|---------------|---------------|----------------|---------------|---------------|
| | Original | Final | Budgetary | Encumbrances | Budgetary | Favorable |
| | Budget | Budget | Amounts | | Adjusted | (Unfavorable) |
| Revenues: | | | | | | |
| Real estate and personal property taxes, net | \$ 15,803,720 | \$ 16,358,384 | \$ 16,454,270 | | \$ 35,124,995 | \$ 95,886 |
| Intergovernmental | 1,096,030 | 1,096,030 | 1,088,638 | | 1,088,638 | (7,392) |
| Motor vehicle and other excises | 1,100,000 | 1,100,000 | 1,050,148 | | 1,050,148 | (49,852) |
| License and permits | 75,000 | 75,000 | 80,751 | | 80,751 | 5,751 |
| Departmental and other revenue | 841,300 | 841,300 | 871,625 | | 871,625 | 30,325 |
| Penalties and interest on taxes | 35,000 | 35,000 | 45,528 | | 45,528 | 10,528 |
| Fines and forfeitures | 18,000 | 18,000 | 21,515 | | 21,515 | 3,515 |
| Investment income | 12,000 | 12,000 | 15,000 | | 15,000 | 3,000 |
| Total Revenues | 18,981,050 | 19,535,714 | 19,627,475 | | 38,298,200 | 91,761 |
| Expenditures: | | | | | | |
| General government | 1,718,779 | 1,924,016 | 1,382,068 | \$ 436,016 | 1,818,084 | 105,932 |
| Public safety | 2,359,578 | 2,649,519 | 2,263,295 | 186,632 | 2,449,927 | 199,592 |
| Education | 11,647,785 | 11,898,621 | 11,706,820 | 191,800 | 11,898,620 | 1 |
| Public works | 1,473,519 | 2,251,400 | 1,429,671 | 696,294 | 2,125,965 | 125,435 |
| Health and human services | 536,407 | 537,118 | 487,248 | 263 | 487,511 | 49,607 |
| Culture and recreation | 410,054 | 440,020 | 321,360 | 90,558 | 411,918 | 28,102 |
| Pension and fringe benefits | 1,182,101 | 1,240,837 | 1,165,720 | 659 | 1,166,379 | 74,458 |
| State and county tax assessments | 112,231 | 112,231 | 110,471 | - | 110,471 | 1,760 |
| Debt service | 978,359 | 900,809 | 900,793 | - | 900,793 | 16 |
| Total Expenditures | 20,418,813 | 21,954,571 | 19,767,446 | 1,602,222 | 21,369,668 | 584,903 |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in | 167,649 | 350,943 | 580,077 | - | 580,077 | 229,134 |
| Transfers out | (90,000) | (101,563) | (117,421) | - | (117,421) | (15,858) |
| Total Other Financing Sources (Uses) | 77,649 | 249,380 | 462,656 | - | 462,656 | 213,276 |
| (Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures and Other Finance Uses | (1,360,114) | (2,169,477) | \$ 322,685 | \$ (1,602,222) | \$ 17,391,188 | \$ 889,940 |
| Other Budgetary Items: | | | | | | |
| Prior year encumbrances | 1,360,114 | 1,360,114 | | | | |
| Undesignated surplus (free cash) | - | 809,363 | | | | |
| Total other budget items | 1,360,114 | 2,169,477 | | | | |
| Net budget | \$ - | \$ - | | | | |

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, 2022

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, 2022, is as follows:

| | Basis of Accounting Differences | Fund Perspective Differences | Total |
|---|---------------------------------------|------------------------------------|----------------------|
| Revenues on a budgetary basis | | | \$ 19,627,475 |
| Electric Light PILOT | \$ 20,000 | \$ - | 20,000 |
| Withholding true up adjustment | 39,646 | - | 39,646 |
| Employee workoff adjustment | (14,657) | - | (14,657) |
| Interest earned on stabilization funds | - | (16,776) | (16,776) |
| Revenues on a GAAP basis | <u>\$ 44,989</u> | <u>\$ (16,776)</u> | <u>\$ 19,655,688</u> |
| Expenditures on a budgetary basis | | | \$ 19,767,446 |
| Reclass of OPEB transfers to expenditures | \$ - | \$ 91,563 | 91,563 |
| Expenditures on a GAAP basis | <u>\$ -</u> | <u>\$ 91,563</u> | <u>\$ 19,859,009</u> |
| Net transfers on a budgetary basis | | | \$ 462,656 |
| Electric Light PILOT | \$ (20,000) | \$ - | (20,000) |
| Withholding true up adjustment | (39,646) | - | (39,646) |
| Reclass of OPEB transfers to expenditures | - | 91,563 | 91,563 |
| Eliminate stabilization fund transfers | - | (149,000) | (149,000) |
| Net transfers on a GAAP basis | <u>\$ (59,646)</u> | <u>\$ (57,437)</u> | <u>\$ 345,573</u> |