



Bill Fraher, CPA

TOWN OF MERRIMAC, MASSACHUSETTS

Basic Financial Statements, Required Supplementary
Information and Supplementary Information

Year ended June 30, 2018
(Except for the Electric Enterprise Fund
which is December 31, 2017)

(With Independent Auditor's Report Thereon)

TOWN OF MERRIMAC, MASSACHUSETTS

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3 - 4
Management's Discussion and Analysis (required supplementary information)	5 - 12
Basic Financial Statements	
Government-wide Financial Statements:	
• Statement of Net Position	13
• Statement of Activities	14
Fund Financial Statements:	
• Balance Sheet - Government Funds	15
• Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
• Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	17
• Reconciliation of the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities.	18
• Budgetary Comparison Schedule - General Fund	19
• Statement of Net Position - Proprietary Funds	20
• Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	21
• Statement of Cash Flows - Proprietary Funds	22
• Statement of Net Position - Fiduciary Funds	23
• Statement of Changes in Fund Net Position - Fiduciary Funds	24
Notes to the Financial Statements	25-47
Required Supplementary Information:	
• Schedule of Proportionate Share of Net Pension Liability	48
• Schedule of Contributions - Net Pension Liability	48
• Schedule of Changes in Net OPEB Liability and Related Ratios	49
• Schedule of Schedule of Town Contributions - OPEB	50
• Schedule of OPEB Investment Returns	50
Notes to the Required Supplementary Information	51 - 52
Combining Financial Statements:	
• Combining Balance Sheet - Nonmajor Governmental Funds	53
• Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	54



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Independent Auditor's Report

The Honorable Board of Selectmen
Town of Merrimac, Massachusetts:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Merrimac, Massachusetts, as of and for the year ended June 30, 2018 (except for the electric enterprise fund which is December 31, 2017), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the Electric Enterprise Fund, which is both a major fund and represents 43% of total assets, 47% of net position and 69% of revenues of business type activities of the Town of Merrimac. Those financial statements have been audited by other auditors whose report has been furnished to me, and my opinion on the general-purpose financial statements, insofar as it relates to the amounts included for the Electric Enterprise Fund, is based solely on the report of the other auditors.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

activities, each major fund, and the aggregate remaining fund information of the Town of Merrimac, Massachusetts, as of June 30, 2018 (except for the electric enterprise fund which is December 31, 2017), and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As described in Note 16 to the financial statements, in 2018 the Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. My opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 12 and the pension and OPEB on pages 48 through 50 be presented be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* I have also issued my report dated May 2, 2019 on my consideration of the Town of Merrimac's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Bill Fraher, CPA
May 2, 2019



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

The Honorable Board of Selectmen
Town of Merrimac, Massachusetts

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Merrimac, Massachusetts, as of and for the year ended June 30, 2018 (except for the electric enterprise fund which is December 31, 2017), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued my report thereon dated May 2, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

I noted certain other matters that I reported to management of the Town of Merrimac, Massachusetts, in a separate letter dated May 2, 2019.

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

A handwritten signature in black ink, appearing to read "Bill Fraher", is positioned above the printed name.

Bill Fraher, CPA
May 2, 2019

Town of Merrimac, Massachusetts
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2018

As management for the Town of Merrimac, we offer the readers of our financial statements this overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Town's financial statements, which begin on page 13.

Financial Highlights of Fiscal Year 2018 (July 1, 2017 – June 30, 2018)

- The Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018. Previously, OPEB was accounted for under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The result of the adoption of GASB Statement No. 75 was to eliminate the net OPEB obligation recorded in the Town financial statements and record the net OPEB liability at June 30, 2017. [Note: The Light Department, presented as of December 31, 2017, will not adopt GASB 75 until the year ended December 31, 2018.] This change resulted in an overall restatement of net position at June 30, 2017 from \$28,349,770 to \$27,764,359. See details in Note 16 to the financial statements.
- The Town's assets exceeded its liabilities at the close of FY2018 by \$28,328,353 (net position) as compared with \$27,764,359 at June 30, 2017 (as restated for the implementation of GASB 75). Of the amount at June 30, 2018, \$(3,057,710) is considered unrestricted (negative unrestricted net position), as compared to \$(2,400,037, as restated) last year. The unrestricted net position of the Town's governmental activities is \$(4,921,647) and represents liabilities and deferred inflows exceeding assets and deferred outflows. The unrestricted net position of business-type activities is \$1,863,937 and may be used to meet the obligations of the Town's Light, Water and Sewer departments.
- The total cost of all town services for Fiscal Year 2018 was \$23,404,167, as compared to \$22,344,844 last year, or an increase of \$1,059,323 or 4.74%. Of the total cost of services, \$16,415,153 was spent on governmental activities (compared to \$15,617,225 last year) and an additional \$6,989,014 was spent on business type activities consisting of the light, water and sewer departments (compared to \$6,727,619 last year).
- At June 30, 2018, the Town's governmental funds reported a combined ending fund balance of \$4,111,670, up .6% from \$4,085,664 at June 30, 2017, due to more favorable results in revenue and expenditures less the usage of reserves. A total of \$2,046,376 of this amount is considered unassigned at June 30, 2018.
- The Town's total bonded indebtedness is \$4,464,668, down from \$5,190,212 last year. The Town also shows a liability of \$2,597,288 for Other Post-Employment Benefits (retiree health insurance), \$727,072 for capital lease payable, \$315,000 for landfill post closure care costs, \$253,652 for compensated absences and \$9,382,777 for the net pension liability.
- The Town has additional overlapping debt of \$2,037,048 for the Town's share (13.45 %) of the Pentucket Regional School District.
- The Town's bond rating is A1.

Town of Merrimac, Massachusetts
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2018

Overview of the Financial Statements:

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

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

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

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

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

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

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

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

Town of Merrimac, Massachusetts
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2018

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

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

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

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

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

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

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

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

Financial Analysis of the Government-wide Financial Statements

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

Town of Merrimac, Massachusetts
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2018

Town of Merrimac's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$ 5,030,271	\$ 5,433,493	\$ 9,084,576	\$ 8,947,174	\$ 14,114,847	\$ 14,380,667
Capital assets	\$ 16,797,646	\$ 16,945,725	\$ 17,079,125	\$ 17,154,969	\$ 33,876,771	\$ 34,100,694
Total assets	\$ 21,827,917	\$ 22,379,218	\$ 26,163,701	\$ 26,102,143	\$ 47,991,618	\$ 48,481,361
Deferred Out Flows of Resources						
Deferred amounts related to pensions	\$ 581,732	\$ 562,805	\$ 491,696	\$ 486,912	\$ 1,073,428	\$ 1,049,717
Current liabilities	\$ 842,919	\$ 1,259,465	\$ 2,510,176	\$ 2,572,969	\$ 3,353,095	\$ 3,832,434
Long term liabilities	\$ 10,389,664	\$ 9,972,019	\$ 7,357,072	\$ 6,880,145	\$ 17,746,736	\$ 16,852,164
Total Liabilities	\$ 11,232,583	\$ 11,231,484	\$ 9,867,248	\$ 9,453,114	\$ 21,099,831	\$ 20,684,598
Deferred Inflows of Resources						
Deferred amounts related to pensions	\$ 126,977	\$ 377,975	\$ 73,879	\$ 140,152	\$ 200,856	\$ 518,127
Net Position:						
Invested in capital, net of related debt	\$ 14,352,805	\$ 14,884,288	\$ 12,293,292	\$ 12,427,799	\$ 26,646,097	\$ 27,312,087
Restricted	\$ 1,255,842	\$ 1,369,923	\$ 2,847,868	\$ 2,704,053	\$ 4,103,710	\$ 4,073,976
Unrestricted	\$ (4,558,558)	\$ (4,921,647)	\$ 1,573,110	\$ 1,863,937	\$ (2,985,448)	\$ (3,057,710)
Total Net Position	\$ 11,050,089	\$ 11,332,564	\$ 16,714,270	\$ 16,995,789	\$ 27,764,359	\$ 28,328,353
Change In Net Position from 2017 to 2018		\$ 282,475		\$ 281,519		\$ 563,994

The Town's assets exceeded liabilities by \$28,328,353 at the close of the most recent fiscal year.

Major changes to the statement of net position are as follows. First, cash and investments and net position increased due to current year operating results. Net capital assets increased as additions were more than depreciation. Current Liabilities increased primarily due to year end timing of warrants payable and a BAN for the Police Station.

The largest portion of the Town's total net position (96.4%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The Town uses capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources to repay debt must be provided from other sources, since capital assets themselves, cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (14.4%) represents resources that are subject to restrictions placed on how they may be used by parties external to the Town. The remaining -10.8% of total net position represents the fact that the Town's liabilities and deferred inflows exceed Town assets and deferred outflows. It is important to note that although the total unrestricted net position is \$-3,057,710; the positive unrestricted net position of the Town's business-type activities, \$1,863,937, may not be used to fund governmental activities.

At the end of the current fiscal year, the Town is able to report positive balances in two of the three categories of net position for the government as a whole, and for all three categories of net position for its business-type activities. The government's total position increased by \$563,994 during the current fiscal

Town of Merrimac, Massachusetts
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2018

year, governmental activities total position increased by \$282,475 while the business activities total position increased by \$281,519.

Changes in Net Position

The following condensed financial information was derived from the government-wide Statement of Net Position. It reflects how the Town's net position have changed during Fiscal Year 2018.

Town of Merrimac's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Revenues:						
Program revenues:						
Charges for Services	\$ 892,633	\$ 886,122	\$ 7,169,764	\$ 7,068,095	\$ 8,062,397	\$ 7,954,217
Operating Grants and Contributions	\$ 441,409	\$ 547,839	\$ 1,287		\$ 442,696	\$ 547,839
Capital Grants and Contributions	\$ 175,385	\$ 755,690			\$ 175,385	\$ 755,690
General Revenues:						
Property Taxes	\$ 12,107,470	\$ 12,521,028			\$ 12,107,470	\$ 12,521,028
Excise Taxes	\$ 947,298	\$ 993,379			\$ 947,298	\$ 993,379
Other	\$ 939,503	\$ 993,570	\$ 135,381	\$ 202,438	\$ 1,074,884	\$ 1,196,008
Total Revenues and Transfers	\$ 15,503,698	\$ 16,697,628	\$ 7,308,432	\$ 7,270,533	\$ 22,810,130	\$ 23,968,161
Expenses:						
General Government	\$ 1,308,808	\$ 1,741,400			\$ 1,308,808	\$ 1,741,400
Public Safety	\$ 2,670,913	\$ 2,816,668			\$ 2,670,913	\$ 2,816,668
Education	\$ 8,881,909	\$ 8,983,760			\$ 8,881,909	\$ 8,983,760
Public Works	\$ 1,517,102	\$ 1,661,936			\$ 1,517,102	\$ 1,661,936
Health & Human Services	\$ 649,835	\$ 631,541			\$ 649,835	\$ 631,541
Recreation and Culture	\$ 493,189	\$ 494,794			\$ 493,189	\$ 494,794
Interest on Debt Service	\$ 95,469	\$ 85,054			\$ 95,469	\$ 85,054
Water			\$ 1,036,563	\$ 1,118,480	\$ 1,036,563	\$ 1,118,480
Sewer			\$ 1,299,621	\$ 1,139,724	\$ 1,299,621	\$ 1,139,724
Electric			\$ 4,391,435	\$ 4,730,810	\$ 4,391,435	\$ 4,730,810
Total Expenses	\$ 15,617,225	\$ 16,415,153	\$ 6,727,619	\$ 6,989,014	\$ 22,344,844	\$ 23,404,167
Change in Net Assets	\$ (113,527)	\$ 282,475	\$ 578,813	\$ 281,519	\$ 465,286	\$ 563,994
Net Assets - Beginning of Year, as revised	\$ 11,163,616	\$ 11,050,089	\$ 16,135,457	\$ 16,714,270	\$ 27,299,073	\$ 27,764,359
Net Assets - End of Year	\$ 11,050,089	\$ 11,332,564	\$ 16,714,270	\$ 16,995,789	\$ 27,764,359	\$ 28,328,353
% of Increase		2.56%		1.68%		2.03%

Government Activities – Governmental activities net position increased by \$282,475 or 2.6% during 2018. A summary of revenues and major functional expenditures is presented above. The increase is due to a variety of factors, including operating results. Tax revenues increased due to the usual property and excise tax budgetary increase. There were no other significant changes from the prior year.

Business-type Activities – Business-type activities increased the Town's net position by \$281,519 or 1.7% during Fiscal Year 2018. Positive operating results for electric is the primary reason for the increase in business-type activities net assets.

Town of Merrimac, Massachusetts
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2018

Financial Analysis of Governmental Funds

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

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

As of June 30, 2018, the Town's governmental funds reported combined ending fund balances of \$4,111,670, an increase of \$26,006 in comparison with the prior year. \$2,046,376 of this amount constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is assigned, or restricted to indicate it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period; continued appropriations for capital outlay and improvement purposes; non-expendable permanent fund balances; and other purposes per detail on page 38.

The general fund is the chief operating fund of the Town. At June 30, 2018, unassigned fund balance of the general fund was \$2,125,565, \$1,066,979 of this amount relates to the Stabilization Fund. An additional \$616,182 was assigned for continued appropriations, making general fund total fund balance of \$2,741,747. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures (including transfers to other funds). Unassigned fund balance represents 13.8% of total general fund expenditures (including transfers), while total fund balance represents 17.8% of the same amount.

Fund Balance Trends

The total general fund balance of the Town decreased by \$23,147, or -.83%, during fiscal year 2018. The major reason for this decrease was the use of available general fund balance for the 2018 budget and special articles, somewhat offset by positive operating results. On a budgetary basis, general fund actual expenditures were \$194,942 lower than budgeted while actual revenues were \$259,676 higher than budgeted.

Total fiscal year 2018 general fund revenues and transfers from other funds totaled \$15,338,758, an increase of \$582,035 or 3.94% over the previous fiscal year.

Town of Merrimac, Massachusetts
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2018

Town of Merrimac Revenue Changes

Source	FY2017 Amount	% of Total	FY2018 Amount	Increase/ (Decrease)	% Change
Real Estate and Personal Property Tax	\$ 12,060,616	81.50%	\$ 12,537,716	\$ 477,100	3.96%
Motor Vehicle Excise	\$ 937,513	6.50%	\$ 979,825	\$ 42,312	4.51%
Intergovernmental	\$ 899,621	6.50%	\$ 982,410	\$ 82,789	9.20%
Departmental and other revenue	\$ 780,502	5.20%	\$ 707,167	\$ (73,335)	-9.40%
Investment Income	\$ 32,292	0.10%	\$ 35,650	\$ 3,358	10.40%
Total Revenues	\$ 14,710,544	99.80%	\$ 15,242,768	\$ 532,224	3.62%
Transfers from other funds	\$ 46,179	0.20%	\$ 95,990	\$ 49,811	107.87%
Total revenue and transfers from other funds	\$ 14,756,723	100.00%	\$ 15,338,758	\$ 582,035	3.94%

Property tax growth generally represents a combination of the 2.5% annual increase allowed in the levy under Proposition 2 ½, new growth, and collection of prior years' delinquent taxes. In recognizing property tax revenue due to the favorable settlement of personal property tax abatement cases in excess of accrued refunds, as well as accruals and tax levy usage, real estate and personal property tax revenue increased 3.96%.

Total general fund expenditures and transfers to other funds totaled \$15,361,905 an increase of \$529,283 or 3.6% over the previous fiscal year.

Town of Merrimac Expenditure Changes

Function	FY2017 Amount	% of Total	FY2018 Amount	Increase/ (Decrease)	% Change
General Government	\$ 817,636	5.5%	\$ 831,081	\$ 13,445	1.6%
Public Safety	\$ 1,802,037	12.1%	\$ 2,041,825	\$ 239,788	13.3%
Education	\$ 8,643,622	58.3%	\$ 8,877,020	\$ 233,398	2.7%
Public Works	\$ 1,185,092	8.0%	\$ 1,216,802	\$ 31,710	2.7%
Human Services	\$ 413,450	2.8%	\$ 421,696	\$ 8,246	2.0%
Recreation and Culture	\$ 298,845	2.0%	\$ 312,130	\$ 13,285	4.4%
Intergovernmental	\$ 90,878	0.6%	\$ 97,694	\$ 6,816	7.5%
Employee Benefits	\$ 949,528	6.4%	\$ 995,274	\$ 45,746	4.8%
Other	\$ 85,999	0.6%	\$ 97,492	\$ 11,493	13.4%
Debt Service	\$ 518,102	3.5%	\$ 470,391	\$ (47,711)	-9.2%
Total Expenditures	\$ 14,805,189	99.8%	\$15,361,405	\$ 556,216	3.8%
Transfers to other funds	\$ 27,433	0.2%	\$ 500	\$ (26,933)	-98.2%
Total expenses and transfers to other funds	\$ 14,832,622	100.0%	\$15,361,905	\$ 529,283	3.6%

Significant changes are discussed below.

Town of Merrimac, Massachusetts
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2018

Increases in Public Safety is primarily a result of increased staffing. The increase in education expenditures is primarily due to operating expenses. Other increases in expenditures in fiscal year 2018 are due primarily to contractual wage and salary increases.

Proprietary fund - The Town's proprietary fund provides the same information found in the government-wide statements, but in slightly more detail. Unrestricted net position of the Water Fund amounted to \$316,392, a decrease of \$15,606. Unrestricted net position of the Sewer Fund amounted to \$1,150,161, an increase of \$41,291. Unrestricted net position of the Electric Fund amounted to \$397,384, an increase of \$265,142. For all funds, customer rates and other revenues were sufficient to cover current year costs.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was due to Special Town Meeting Action to several areas amounting to a \$293,257 decrease to net changes in budgetary fund balances.

Long term debt – At June 30, 2018 the Town had total bonded debt outstanding of \$4,464,668, \$1,525,000 for governmental activities and \$2,939,668 for business-type activities. All debt issues are general obligations of the Town, although Water, Sewer and Light debt service payments are made from the resources of the enterprise fund. Additional information on the Town's long-term debt can be found in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates:

- According to the Bureau of Labor Statistics, the unemployment rate for the Town for June 2018 was 5.1% which compares favorably with state and national unemployment rate.
- According to the U. S. Department of Commerce Census Bureau, the median household income for the Town for 2018 was \$84,417 the per capita income for Massachusetts for the same time was \$74,167. This compares favorably with both state and national incomes.
- According to the Town's Board of Assessors the average 2018 single family home in Merrimac is valued at \$390,200. All properties compare favorably with state and national property values.

The Town's Unrestricted Local Aid increased by Departmental Revenue 3.9% in FY2018, it is expected to increase by 3.5% in FY2019. The Town still is forced to rely increasingly on real estate taxes to fund the budget.

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

Contacting the Town's Financial Management

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

TOWN OF MERRIMAC, MASSACHUSETTS

Statement of Net Position

June 30, 2018

(Electric Business-Type Activity is as of December 31, 2017)

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 3,484,701	4,799,672	8,284,373
Investments	1,193,509	1,912,719	3,106,228
Receivables (net of allowance for uncollectibles)	530,060	1,695,716	2,225,776
Due from commonwealth	225,223	452	225,675
Other assets	-	538,615	538,615
Total current assets	5,433,493	8,947,174	14,380,667
Noncurrent assets:			
Cash and cash equivalents - restricted	-	85,794	85,794
Due from commonwealth	-	5,500	5,500
Capital assets not being depreciated	2,868,602	359,927	3,228,529
Capital assets being depreciated, net	14,077,123	16,703,748	30,780,871
Total noncurrent assets	\$ 16,945,725	17,154,969	34,100,694
Total assets	22,379,218	26,102,143	48,481,361
<u>Deferred Outflows of Resources</u>			
Deferred amounts related to pensions	552,620	482,461	1,035,081
Deferred amounts related to OPEB	10,185	4,451	14,636
Total deferred outflows	562,805	486,912	1,049,717
<u>Liabilities</u>			
Current liabilities:			
Warrants and accounts payable	\$ 582,490	365,866	948,356
Accrued payroll	132,895	22,804	155,699
Other accrued liabilities	-	85,794	85,794
Accrued interest payable	13,222	41,070	54,292
Notes payable	100,000	1,600,000	1,700,000
Accrued compensated absences	29,599	44,350	73,949
Landfill postclosure care costs	15,000	-	15,000
Capital leases payable	61,259	21,789	83,028
Bonds payable	325,000	391,316	716,316
Total current liabilities	1,259,465	2,572,969	3,832,434
Noncurrent liabilities:			
Landfill postclosure care costs	300,000	-	300,000
Accrued compensated absences	105,056	74,647	179,703
Other post-employment benefits	1,960,208	637,080	2,597,288
Capital leases payable	475,178	168,866	644,044
Net pension liability	5,931,577	3,451,200	9,382,777
Bonds payable	1,200,000	2,548,352	3,748,352
Total noncurrent liabilities	9,972,019	6,880,145	16,852,164
Total liabilities	11,231,484	9,453,114	20,684,598
<u>Deferred Inflows of Resources</u>			
Deferred amounts related to pensions	372,391	137,712	510,103
Deferred amounts related to OPEB	5,584	2,440	8,024
Total deferred inflows	377,975	140,152	518,127
<u>Net Position</u>			
Net investment in capital assets	14,884,288	12,427,799	27,312,087
Restricted for:			
Perpetual funds - nonexpendable	353,917	-	353,917
Perpetual funds - expendable	118,842	-	118,842
Capital projects and depreciation	-	2,704,053	2,704,053
Other specific purposes	897,164	-	897,164
Unrestricted	(4,921,647)	1,863,937	(3,057,710)
Total net position	\$ 11,332,564	16,995,789	28,328,353

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

TOWN OF MERRIMAC, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2018

(Electric Business-Type Activity is for the year ended December 31, 2017)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities:							
General government	\$ 1,741,400	175,051	258,411	118,096	(1,189,842)	-	(1,189,842)
Public safety	2,816,668	574,729	75,875	-	(2,166,064)	-	(2,166,064)
Education	8,983,760	-	39,015	-	(8,944,745)	-	(8,944,745)
Public works	1,661,936	136,342	28,883	637,594	(859,117)	-	(859,117)
Human services	631,541	-	122,533	-	(509,008)	-	(509,008)
Recreation and culture	494,794	-	23,122	-	(471,672)	-	(471,672)
Interest on debt service	85,054	-	-	-	(85,054)	-	(85,054)
Total governmental activities	16,415,153	886,122	547,839	755,690	(14,225,502)	-	(14,225,502)
Business-type activities:							
Water	1,118,480	1,063,686	-	-	-	(54,794)	(54,794)
Sewer	1,139,724	1,109,528	-	-	-	(30,196)	(30,196)
Electric	4,730,810	4,894,881	-	-	-	164,071	164,071
Total business-type activities	6,989,014	7,068,095	-	-	-	79,081	79,081
Total government	\$ 23,404,167	7,954,217	547,839	755,690	(14,225,502)	79,081	(14,146,421)
General revenues:							
Property taxes					\$ 12,521,028	-	12,521,028
Excise taxes					993,379	-	993,379
Payments in lieu of taxes					78	-	78
Intergovernmental					882,234	-	882,234
Unrestricted investment earnings					52,525	101,701	154,226
Miscellaneous					48,733	133,764	182,497
Transfers in (out)					10,000	(33,027)	(23,027)
Total general revenues and transfers					14,507,977	202,438	14,710,415
Changes in net position					282,475	281,519	563,994
Net position - beginning of year, restated					11,050,089	16,714,270	27,764,359
Net position - end of year					\$ 11,332,564	16,995,789	28,328,353

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

TOWN OF MERRIMAC, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2018

	General Fund	Nonmajor Governmental Funds	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 2,264,747	1,219,954	3,484,701
Investments	793,380	400,129	1,193,509
Receivables:			
Property taxes	167,878	-	167,878
Tax liens	220,220	-	220,220
Motor vehicle excise	117,498	-	117,498
Departmental	43,861	5,896	49,757
Less: allowance for uncollectible accounts	(25,293)	-	(25,293)
Due from other governments	-	225,223	225,223
 Total assets	 \$ 3,582,291	 \$ 1,851,202	 \$ 5,433,493
<u>Liabilities</u>			
Warrants and accounts payable	\$ 217,021	365,469	582,490
Accrued payroll and withholdings	122,981	9,914	132,895
Notes payable	-	100,000	100,000
 Total liabilities	 340,002	 475,383	 815,385
<u>Deferred Inflows of Resources</u>			
Unavailable revenue	500,542	5,896	506,438
<u>Fund balances</u>			
Nonspendable	-	353,917	353,917
Restricted	-	1,038,275	1,038,275
Assigned	616,182	56,920	673,102
Unassigned	2,125,565	(79,189)	2,046,376
 Total fund balances	 2,741,747	 1,369,923	 4,111,670
 Total liabilities, deferred inflows of resources and fund balances	 \$ 3,582,291	 1,851,202	 5,433,493

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

TOWN OF MERRIMAC, MASSACHUSETTS**Statement of Revenues, Expenditures and Changes in Fund Balances****Governmental Funds****For the Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:			
Property taxes	\$ 12,537,716	-	12,537,716
Excise taxes	979,825	-	979,825
Payments in lieu of taxes	78	-	78
Departmental charges for services	510,430	262,676	773,106
Licenses and permits	102,767	-	102,767
Intergovernmental	982,410	954,695	1,937,105
Fines	45,159	-	45,159
Investment income	35,650	16,875	52,525
Other	48,733	244,268	293,001
Total revenues	<u>15,242,768</u>	<u>1,478,514</u>	<u>16,721,282</u>
Expenditures:			
Current:			
General government	831,081	525,731	1,356,812
Public safety	2,041,825	336,898	2,378,723
Education	8,877,020	-	8,877,020
Public works	1,216,802	389,133	1,605,935
Human services	421,696	65,380	487,076
Recreation and culture	312,130	26,729	338,859
Intergovernmental	97,694	-	97,694
Employee benefits	995,274	-	995,274
Other	97,492	-	97,492
Debt service	470,391	-	470,391
Total expenditures	<u>15,361,405</u>	<u>1,343,871</u>	<u>16,705,276</u>
Excess (deficiency) of revenues over expenditures	(118,637)	134,643	16,006
Other financing sources (uses):			
Operating transfers in	95,990	-	95,990
Operating transfers out	<u>(500)</u>	<u>(85,490)</u>	<u>(85,990)</u>
Total other financing sources (uses)	<u>95,490</u>	<u>(85,490)</u>	<u>10,000</u>
Net changes in fund balances	<u>(23,147)</u>	<u>49,153</u>	<u>26,006</u>
Fund balance, beginning of year	<u>2,764,894</u>	<u>1,320,770</u>	<u>4,085,664</u>
Fund balance, end of year	<u>\$ 2,741,747</u>	<u>1,369,923</u>	<u>4,111,670</u>

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

TOWN OF MERRIMAC, MASSACHUSETTS

Reconciliation of the Governmental Fund Balance Sheet
To the Statement of Net Position
Year Ended June 30, 2018

Total fund balances - governmental funds **\$ 4,111,670**

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

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

Land and land improvements	2,805,761
Construction in progress	62,841
Infrastructure assets	7,330,486
Buildings and building improvements	17,572,457
Other capital assets	4,746,540
Accumulated depreciation	<u>(15,572,360)</u>

Total Capital Assets 16,945,725

Other long-term assets are not available to pay for current
period expenditures and, therefore, are deferred in funds. 506,438

Deferred outflows related to pensions are not reported in funds. 562,805

Deferred inflows related to pensions are not reported in funds. (377,975)

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

Bonds payable	(1,525,000)
Capital leases payable	(536,437)
Accrued interest on bonds (net of accrued state reimbursement)	(13,222)
Landfill postclosure care costs	(315,000)
Other post employment benefits	(1,960,208)
Compensated absences	(134,655)
Net pension liability	<u>(5,931,577)</u>

Total long-term liabilities (10,416,099)

Net position of governmental activities **\$ 11,332,564**

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

TOWN OF MERRIMAC, MASSACHUSETTS

Reconciliation of the Governmental Funds - Statement of Revenues,
Expenditures and Changes in Fund Balances To the Statement of Activities
Year Ended June 30, 2018

Net changes in fund balances - governmental funds	\$ 26,006
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, these amounts are recorded as capital assets and depreciated over their estimated useful lives. This is the amount by which capital outlays are more (less) than depreciation for the year.	148,079
Debt proceeds provide financial resources and bond payments are recorded as expenditures in governmental funds, while these are recorded as increases or decreases to long-term liabilities in the statement of net position. This is the amount by which debt proceeds are less than long-term debt repayments for the year.	385,337
Certain liabilities are not recognized in the fund based statements until paid. This represents the change in other long term liabilities from the prior year.	(243,292)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	<u>(33,655)</u>
Changes in net position of governmental activities	\$ <u>282,475</u>

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

TOWN OF MERRIMAC, MASSACHUSETTS**Statement of Revenues, Expenditures and Changes in Fund Balances****Non-GAAP Budgetary Basis****Budget and Actual - General Fund****Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance To Final Budget Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 12,473,234	12,473,234	12,549,594	76,360
Excise taxes	900,000	900,000	979,825	79,825
Payments in lieu of taxes	1,200	1,200	78	(1,122)
Departmental charges for services	485,000	485,000	510,430	25,430
Licenses and permits	55,000	55,000	102,767	47,767
Intergovernmental	947,776	947,776	982,410	34,634
Fines	50,000	50,000	45,159	(4,841)
Investment income	23,000	23,000	36,356	13,356
Other	37,000	37,000	48,733	(11,733)
Total revenues	<u>14,972,210</u>	<u>14,972,210</u>	<u>15,255,352</u>	<u>259,676</u>
Expenditures:				
General government	884,200	848,900	755,855	93,045
Public safety	1,867,216	2,112,216	2,070,929	41,287
Education	8,879,179	8,879,179	8,877,020	2,159
Public works	1,130,866	1,262,866	1,251,163	11,703
Human services	415,187	432,987	415,280	17,707
Recreation and culture	299,588	299,588	290,929	8,659
Debt service	470,362	470,362	470,391	(29)
Intergovernmental	97,694	97,694	97,694	-
Employee benefits	889,003	987,260	969,356	17,904
Insurance	100,000	100,000	97,493	2,507
Total expenditures	<u>15,033,295</u>	<u>15,491,052</u>	<u>15,296,110</u>	<u>194,942</u>
Excess (deficiency) of revenues over expenditures	(61,085)	(518,842)	(40,758)	454,618
Other financing sources (uses):				
Operating transfers in	16,085	181,085	195,990	14,905
Operating transfers out	-	(500)	(500)	-
Total other financing sources (uses)	<u>16,085</u>	<u>180,585</u>	<u>195,490</u>	<u>14,905</u>
Net changes in fund balances	<u>(45,000)</u>	<u>(338,257)</u>	<u>154,732</u>	<u>469,523</u>
Fund balance, beginning of year			<u>865,455</u>	
Fund balance, end of year			<u>1,020,187</u>	

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

TOWN OF MERRIMAC, MASSACHUSETTS

Statement of Net Position - Proprietary Funds

June 30, 2018

(Except for Electric Enterprise which is as of December 31, 2017)

	Water Enterprise	Sewer Enterprise	Electric Enterprise	Total
<u>Assets</u>				
Current assets:				
Cash and cash equivalents - unrestricted	\$ 840,470	1,569,106	2,390,096	4,799,672
Cash and cash equivalents - restricted	-	-	85,794	85,794
Investments	-	-	1,912,719	1,912,719
Receivables (net):				
User charges	73,001	70,916	174,919	318,836
Special Assessments	-	178,302	-	178,302
Unbilled Revenue	370,865	316,133	511,580	1,198,578
Materials and supplies inventory	-	-	109,494	109,494
Prepaid expenses	-	-	429,121	429,121
Other assets	-	-	-	-
Due from Commonwealth	-	452	-	452
Total current assets	1,284,336	2,134,909	5,613,723	9,032,968
Noncurrent assets:				
Due from Commonwealth	-	5,500	-	5,500
Capital assets	8,289,996	13,562,926	10,940,497	32,793,419
Accumulated depreciation	(2,989,391)	(7,389,065)	(5,351,288)	(15,729,744)
Total noncurrent assets	5,300,605	6,179,361	5,589,209	17,069,175
Total assets	\$ 6,584,941	8,314,270	11,202,932	26,102,143
<u>Deferred Outflows of Resources</u>				
Deferred amounts related to pensions	63,088	81,445	337,928	482,461
Deferred amounts related to OPEB	1,739	2,712	-	4,451
Total deferred outflows	64,827	84,157	337,928	486,912
<u>Liabilities</u>				
Current Liabilities:				
Warrants and accounts payable	\$ 24,783	15,778	325,305	365,866
Accrued payroll	10,430	12,374	-	22,804
Accrued interest payable	16,296	5,962	18,812	41,070
Other accrued expenses	-	-	85,794	85,794
Notes payable	1,600,000	-	-	1,600,000
Accrued compensated absences	5,643	1,344	37,363	44,350
Capital leases payable	3,138	18,631	-	21,769
Bonds payable	161,316	155,000	75,000	391,316
Total current liabilities	1,821,606	209,089	542,274	2,572,969
Noncurrent liabilities:				
Accrued compensated absences	29,713	7,689	37,245	74,647
Other post employment benefits	130,859	100,693	405,528	637,080
Capital leases payable	24,344	144,522	-	168,866
Net pension liability	677,154	874,195	1,899,851	3,451,200
Bonds payable	1,208,352	665,000	675,000	2,548,352
Total noncurrent liabilities	2,070,422	1,792,099	3,017,624	6,880,145
Total liabilities	3,892,028	2,001,188	3,559,898	9,453,114
<u>Deferred Inflows of Resources</u>				
Deferred amounts related to pensions	42,513	54,883	40,316	137,712
Deferred amounts related to OPEB	953	1,487	-	2,440
Total deferred inflows	43,466	56,370	40,316	140,152
<u>Net Position</u>				
Net investment in capital assets	2,397,882	5,190,708	4,839,209	12,427,799
Restricted	-	-	2,704,053	2,704,053
Unrestricted	316,392	1,150,161	397,384	1,863,937
Total net position	\$ 2,714,274	6,340,869	7,940,646	16,995,789

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

TOWN OF MERRIMAC, MASSACHUSETTS**Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds****For the Year Ended June 30, 2018****(Except for Electric Enterprise which is as of December 31, 2017)**

	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Electric Enterprise</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 1,063,686	1,044,683	4,884,653	6,993,022
Special assessments	-	4,845	-	4,845
Other operating revenues	-	60,000	10,228	70,228
Total operating revenues	<u>1,063,686</u>	<u>1,109,528</u>	<u>4,894,881</u>	<u>7,068,095</u>
Operating expenditures:				
Energy purchases	-	-	3,268,623	3,268,623
Other operating expenses	881,561	791,789	1,012,951	2,686,301
Depreciation	<u>205,500</u>	<u>310,172</u>	<u>414,071</u>	<u>929,743</u>
Total operating expenditures	<u>1,087,061</u>	<u>1,101,961</u>	<u>4,695,645</u>	<u>6,884,667</u>
Operating income	<u>(23,375)</u>	<u>7,567</u>	<u>199,236</u>	<u>183,428</u>
Nonoperating revenues (expenses):				
Interest expense	(31,419)	(37,763)	(35,165)	(104,347)
Other	-	942	132,822	133,764
Investment income (loss)	<u>1,436</u>	<u>5,846</u>	<u>94,419</u>	<u>101,701</u>
Total nonoperating revenues (expenses)	<u>(29,983)</u>	<u>(30,975)</u>	<u>192,076</u>	<u>131,118</u>
Income before transfers	<u>(53,358)</u>	<u>(23,408)</u>	<u>391,312</u>	<u>314,546</u>
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>(33,027)</u>	<u>(33,027)</u>
Changes in net position	<u>(53,358)</u>	<u>(23,408)</u>	<u>358,285</u>	<u>281,519</u>
Net position, beginning of year, restated	<u>2,767,632</u>	<u>6,364,277</u>	<u>7,582,361</u>	<u>16,714,270</u>
Net position, end of year	\$ <u>2,714,274</u>	<u>6,340,869</u>	<u>7,940,646</u>	<u>16,995,789</u>

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

TOWN OF MERRIMAC, MASSACHUSETTS**Statement of Cash Flows - Proprietary Funds****For the Year Ended June 30, 2018****(Except for Electric Enterprise which is as of December 31, 2017)**

	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Electric Enterprise</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	\$ 1,015,247	1,081,549	4,912,640	7,009,436
Other operating cash receipts	-	60,000	-	60,000
Cash paid to suppliers	(550,164)	(498,750)	(3,521,276)	(4,570,190)
Cash paid to employees	(279,020)	(354,241)	(661,798)	(1,295,059)
Operating transfers	-	-	(33,027)	(33,027)
Net cash provided by operating activities	<u>186,063</u>	<u>288,558</u>	<u>696,539</u>	<u>1,171,160</u>
Cash flows from capital and related financing activities:				
Capital expenditures and contributions	(354,827)	(73,711)	(442,207)	(870,745)
Capital projects receipts from Commonwealth	301,758	-	-	301,758
Interest paid, net of subsidy	(34,377)	(37,908)	(32,888)	(105,173)
Net borrowing (repayments), net of subsidy	(171,722)	(170,018)	(75,000)	(416,740)
Net cash provided by capital and related financing activities:	<u>(259,168)</u>	<u>(281,637)</u>	<u>(550,095)</u>	<u>(1,090,900)</u>
Cash flows from investing activities:				
(Purchases) sales of investments (net)	-	-	(717,682)	(717,682)
Investment income (loss)	1,436	5,846	94,419	101,701
Net cash provided by capital and related financing activities:	<u>1,436</u>	<u>5,846</u>	<u>(623,263)</u>	<u>(615,981)</u>
Net increase in cash and cash equivalents	<u>(71,669)</u>	<u>12,767</u>	<u>(476,819)</u>	<u>(535,721)</u>
Cash and cash equivalents, beginning of year	<u>912,139</u>	<u>1,556,339</u>	<u>2,952,709</u>	<u>5,421,187</u>
Cash and cash equivalents, end of year	<u>\$ 840,470</u>	<u>1,569,106</u>	<u>2,475,890</u>	<u>4,885,466</u>
Reconciliation of operating income to net cash provided				
By operating activities:				
Operating income (loss)	\$ (23,375)	7,567	199,236	183,428
Depreciation	205,500	310,172	414,071	929,743
Payment in lieu of taxes and transfers	-	-	(33,027)	(33,027)
(Increase) decrease in accounts receivable & unbilled	(48,439)	32,021	13,178	(3,240)
(Increase) decrease in prepaid expenses and inventory	-	-	19,391	19,391
Increase (decrease) in accounts payable	(31,457)	3,370	84,184	56,097
Increase (decrease) in accrued payroll	531	(859)	-	(328)
Increase (decrease) in other liabilities	83,303	(63,713)	(494)	19,096
Net cash provided by operating activities	<u>\$ 186,063</u>	<u>288,558</u>	<u>696,539</u>	<u>1,171,160</u>

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

TOWN OF MERRIMAC, MASSACHUSETTS

Statement of Net Position

Fiduciary Funds

June 30, 2018

	<u>OPEB Trust Fund</u>	<u>Agency</u>	<u>Total</u>
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	7,304	404,445	411,749
Investments	\$ <u>1,381,110</u>	<u>-</u>	<u>1,381,110</u>
Total assets	<u>1,388,414</u>	<u>404,445</u>	<u>1,792,859</u>
<u>Liabilities</u>			
Current Liabilities:			
Other Liabilities	\$ <u>-</u>	<u>404,445</u>	<u>404,445</u>
Total liabilities	<u>-</u>	<u>404,445</u>	<u>404,445</u>
<u>Net Position</u>			
Held in trust for retiree insurance benefits	<u>1,388,414</u>	<u>-</u>	<u>1,388,414</u>
Total net position	\$ <u><u>1,388,414</u></u>	<u><u>-</u></u>	<u><u>1,388,414</u></u>

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

TOWN OF MERRIMAC, MASSACHUSETTS

Statement of Changes in Fund Net Position

Fiduciary Funds

For the Year Ended June 30, 2018

	<u>OPEB Trust Fund</u>
<u>Additions</u>	
Contributions:	
Employer	\$ <u>220,757</u>
Total contributions	<u>220,757</u>
Investment income:	
Interest	<u>51,876</u>
Total investment income	<u>51,876</u>
Total additions	<u>272,633</u>
<u>Deductions</u>	
Benefits	<u>-</u>
Total deductions	<u>-</u>
Change in net position held in trust for retiree insurance benefits	272,633
Net position - beginning of year	<u>1,115,781</u>
Net position - end of year	\$ <u><u>1,388,414</u></u>

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

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

Note 1. Reporting Entity and Significant Accounting Policies

A. Introduction

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

B. Financial Reporting Entity

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

Joint Ventures:

The Town is a participant in the Pentucket Regional School District (the District). The District was created to provide education to students in grades K through twelve, from the Towns of Merrimac, Groveland, and West Newbury. The District is governed by a twelve-member board composed of the School Committees of member Towns. The Town is indirectly liable for the District's debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's assessment for fiscal year 2018 was \$7,851,760, which represents approximately 32.0% of the District's operating budget. A copy of the District's financial statement is available from the Superintendent's Office, 22 Main Street, West Newbury, MA 01985.

The Town is a participant in the Whittier Regional Vocational Technical School District (the District). The School was created to provide vocational technical education to students in Merrimac and other communities and is governed by a board composed of member Towns. The Town is indirectly liable for the District's debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's assessment for fiscal 2018 was \$904,825, which represents approximately 6.34% of the School's operating budget. A copy of the School's financial statement is available from the Superintendent's Office, 115 Amesbury Line Road, Haverhill, MA 01830.

C. Financial Statement Presentation

The financial condition and results of operations of the Town's funds are presented as of and for the year ended June 30, 2018 (except for the Electric Enterprise Fund which is as of and for the year ended December 31, 2017). The accounting policies of the Town conform to GAAP.

D. Government-wide and Fund Financial Statements

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

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

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

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

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

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

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

Governmental Funds

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

E. Measurement Focus and Basis of Accounting

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

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

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

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

E. Measurement Focus and Basis of Accounting (continued)

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

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

a. Deposits and Investments

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

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

b. Property Taxes

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

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

c. Inventories

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

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

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

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

d. Capital Assets

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

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

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

e. Compensated Absences

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

f. Deferred Outflows/Inflows of Resources

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

g. Long-term Obligations

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

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

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

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

h. Pensions

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

i. Other Post-Employment Benefits

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

j. Fund Balances - Governmental Funds

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

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

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

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

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

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

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

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

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

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

j. Fund Balances - Governmental Funds (continued)

Town management. Assigned fund balance includes general fund encumbrances and article carry forwards of \$616,182 and accepted gifts and donations of \$56,920.

Unassigned fund balance in the general fund includes \$1,066,979 in three stabilization fund balances (general, capital and ambulance). Stabilization funds are obtained by Town Meeting authorization and are almost exclusively generated from transfers from the general fund budget. These funds are set aside for extraordinary or unforeseen purposes, must be approved by Town Meeting and (in the case of general stabilization) can be utilized for any lawful purpose. Currently, the Town does not have a fund balance policy addressing the level of targeted reserves.

k. Net Position

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

l. Use of Estimates

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

Note 2. Budgetary Information

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

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

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

Note 2. Budgetary Information (continued)

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

Expenditures and transfers out	<u>\$15,491,552</u>
To be funded as follows:	
Budgeted revenue	\$14,972,210
Transfers from other funds	181,085
Allocation of surplus	<u>338,257</u>
Total funding (resources)	<u>\$15,491,552</u>

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

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

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the general fund for the year ended June 30, 2018:

Net changes in fund balances - Budgetary Basis	\$154,732
Adjustments:	
Record Revenues on a Modified Accrual Basis	(\$11,878)
Stabilization Fund Interest and Transfers	(\$100,706)
Adjustment for Encumbrances and Continuing Articles	<u>(\$65,295)</u>
Net changes in fund balances - GAAP Basis	<u>(\$23,147)</u>

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

Note 3. Deposits and Investments

Please note that the difference between the amounts below and the amounts in the financial statements is due solely to the presentation of the electric enterprise fund as of December 31, 2017.

Cash Deposits

Custodial risk on cash deposits is the risk that in the event of a depository failure, the Town will not be able to recover the value of its deposits or collateral securities that are in the possession of the depository. The Town's attempts to limit custodial risk by placing funds in a variety of financial institutions and maximizing amounts insured or collateralized. At June 30, 2018, the Town's carrying amount of deposits

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

Note 3. Deposits and Investments

was \$7,427,824 and the bank balance was \$7,446,341. All of the bank balance of \$7,446,341 was covered by Federal Deposit Insurance Corporation or other state insurance. There was no amount uninsured nor collateralized.

Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that disclosures related to these investments only need to be disaggregated by major type. The Town chooses a narrative format for the fair value disclosures. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs use to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At June 30, 2018, US government and agency securities, mutual funds, equities and money market mutual funds are categorized as Level 1 and other fixed income securities are categorized as Level 2.

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

At June 30, 2018, the Town's investment balances were as follows:

<u>Type of Investment</u>	<u>Fair Value</u>
<u>Debt Securities</u>	
US government and agency securities	\$733,803
Other fixed income securities	<u>573,227</u>
Total Debt Securities	\$1,307,030
<u>Other Investments</u>	
Equities	491,655
Mutual funds	3,212,313
Money market mutual funds (cash equivalents)	25,288
MMDT – cash portfolio (cash equivalents)	<u>1,116,479</u>
Total investments	<u>\$6,152,765</u>

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

Town of Merrimac, Massachusetts

Notes to the Financial Statements

June 30, 2018

Note 3. Deposits and Investments (continued)

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

	<u>Fair Value</u>	<u>Under One Year</u>	<u>1-2 Years</u>	<u>3-5 Years</u>	<u>Thereafter</u>
US government & agencies	\$733,803	34,834	171,231	527,738	-
Other fixed income securities	<u>573,227</u>	-	<u>276,827</u>	<u>208,857</u>	<u>87,543</u>
Total	<u>\$1,307,030</u>	<u>34,834</u>	<u>448,058</u>	<u>736,595</u>	<u>87,543</u>

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

	<u>Fair Value</u>	<u>AA to A</u>	<u>BBB</u>	<u>Not Rated</u>
US government & agencies	\$733,803	733,803	-	-
Other fixed income securities	<u>573,227</u>	<u>137,286</u>	<u>174,205</u>	<u>261,736</u>
Total	<u>\$1,307,030</u>	<u>871,089</u>	<u>174,205</u>	<u>261,736</u>

The remaining investments are unrated.

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

Note 4. Receivables

At June 30, 2018, receivables for individual major and non-major funds, in the aggregate and including allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance</u>	<u>Net Amount</u>
Governmental activities:			
Real estate and personal property	\$167,878	(25,293)	142,585
Tax liens	220,220	-	220,220
Excise taxes	117,498	-	117,498
Departmental	<u>49,757</u>	-	<u>49,757</u>
	<u>555,353</u>	<u>(25,293)</u>	<u>530,060</u>
Business-type activities:			
Water user charges	\$443,867	-	443,867
Sewer user charges	565,351	-	565,351
Electric user charges	<u>700,085</u>	<u>(13,586)</u>	<u>686,499</u>
	<u>\$1,709,303</u>	<u>(13,586)</u>	<u>1,695,717</u>

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2018 (electric enterprise fund as of December 31, 2017) was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	\$2,805,761	-	-	2,805,761
Construction in progress	<u>71,690</u>	<u>292,660</u>	<u>301,509</u>	<u>62,841</u>
Total capital assets not being depreciated	<u>2,877,451</u>	<u>292,660</u>	<u>301,509</u>	<u>2,868,602</u>
Capital assets being depreciated:				
Buildings and improvements	18,837,714	96,509	-	18,934,223
Equipment	3,199,003	372,771	187,000	3,384,774
Infrastructure	<u>6,855,740</u>	<u>474,746</u>	<u>-</u>	<u>7,330,496</u>
Total capital assets being depreciated	<u>28,892,457</u>	<u>944,026</u>	<u>187,000</u>	<u>29,649,483</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,435,058)	(483,825)	-	(8,918,883)
Equipment	(2,251,017)	(227,165)	(181,933)	(2,296,249)
Infrastructure	<u>(4,286,187)</u>	<u>(71,041)</u>	<u>-</u>	<u>(4,357,228)</u>
Total accumulated depreciation	<u>(14,972,262)</u>	<u>(782,031)</u>	<u>(181,933)</u>	<u>(15,572,360)</u>
Capital assets being depreciated, net	<u>13,920,195</u>	<u>161,995</u>	<u>5,067</u>	<u>14,077,123</u>
Total governmental activities capital assets, net	<u>\$16,797,646</u>	<u>454,655</u>	<u>306,576</u>	<u>16,945,725</u>
Depreciation expense was charged to functions as follows:		<u>Governmental Activities</u>		
General government		\$143,026		
Public safety		157,015		
Education		216,608		
Public works		135,074		
Human services		34,722		
Recreation and culture		<u>95,586</u>		
Total governmental activities depreciation expense		<u>\$782,031</u>		
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and land improvements	\$352,630	-	-	352,630
Construction in progress	<u>1,608,741</u>	<u>396,554</u>	<u>1,997,998</u>	<u>7,297</u>
Total capital assets not being depreciated	<u>1,961,371</u>	<u>396,554</u>	<u>1,997,998</u>	<u>359,927</u>
Capital assets being depreciated:				
Improvements other than buildings	2,328,673	1,811,290	-	4,139,963
Buildings and improvements	884,052	-	-	884,052
Equipment	1,673,734	513,503	144,768	2,042,469
Infrastructure	<u>25,118,741</u>	<u>280,218</u>	<u>31,952</u>	<u>25,367,007</u>
Total capital assets being depreciated	<u>30,005,200</u>	<u>2,605,011</u>	<u>176,720</u>	<u>32,433,491</u>
Less accumulated depreciation for:				
Improvements other than buildings	(329,117)	(145,448)	-	(474,565)
Buildings and improvements	(337,719)	(34,182)	-	(371,901)
Equipment	(1,185,123)	(148,733)	(144,768)	(1,189,088)
Infrastructure	<u>(13,124,761)</u>	<u>(601,380)</u>	<u>(31,952)</u>	<u>(13,694,189)</u>
Total accumulated depreciation	<u>(14,976,720)</u>	<u>(929,743)</u>	<u>(176,720)</u>	<u>(15,729,743)</u>
Capital assets being depreciated, net	<u>15,028,480</u>	<u>1,675,268</u>	<u>-</u>	<u>16,703,748</u>
Total governmental activities capital assets, net	<u>\$16,989,851</u>	<u>2,071,822</u>	<u>1,997,998</u>	<u>17,063,675</u>

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

Note 5. Capital Assets (continued)

	<u>Business-type Activities</u>
Depreciation expense was charged to functions as follows:	
Water	\$ 205,500
Sewer	310,172
Electric	<u>414,071</u>
Total business-type activities depreciation expense	<u>\$ 929,743</u>

Note 6. Short-term Debt

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

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

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

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

Short-term debt activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Type:				
Bond anticipation notes – police project	\$ -	<u>100,000</u>	=	<u>100,000</u>
Business Type:				
Bond anticipation notes – water project	<u>\$1,600,000</u>	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,600,000</u>

Note 7. Long-term Obligations

The following is a summary of changes in the Town's long-term obligation for the year ended June 30, 2018 (electric light business-type activities presented for year-end December 31, 2017):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
Compensated absences	121,527	13,128	-	134,655	29,599
Landfill post closure costs	330,000	-	15,000	315,000	15,000
Other post employment benefits	1,932,965	27,243	-	1,960,208	-
Capital leases payable	594,841	-	58,401	536,437	61,259
Net pension liability	5,983,581	-	52,005	5,931,576	-
Bonds payable	<u>1,850,000</u>	-	<u>325,000</u>	<u>1,525,000</u>	<u>325,000</u>
	<u>10,812,914</u>	<u>40,371</u>	<u>450,406</u>	<u>10,402,876</u>	<u>430,858</u>
Business-type activities:					
Compensated absences	108,795	10,202	-	118,997	44,350
Other post employment benefits	673,549	-	36,469	637,080	-
Capital leases payable	211,389	-	20,754	190,635	21,770
Net pension liability	3,481,477	-	30,277	3,451,200	-
Bonds payable	<u>3,340,212</u>	-	<u>400,544</u>	<u>2,939,668</u>	<u>391,316</u>
	<u>7,815,422</u>	<u>10,202</u>	<u>488,044</u>	<u>7,337,580</u>	<u>457,436</u>

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

Note 8. Bonds and Capital Leases Payable

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

<u>Project</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding at July 1, 2017</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2018</u>
Town Hall Refunded	09/01/22	2.0%-3.0%	810,000	-	140,000	670,000
Library Refunded	09/01/23	2.0%-3.0%	780,000	-	115,000	665,000
General Refunded	12/15/19	3.0%-4.75%	165,000	-	55,000	110,000
Land Acquisition	09/01/23	2.0%-3.0%	<u>95,000</u>	=	<u>15,000</u>	<u>80,000</u>
Totals			<u>\$1,850,000</u>	=	<u>325,000</u>	<u>\$1,525,000</u>

The outstanding business-type activities bonds are presented below.

<u>Project</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding at July 1, 2017</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2018</u>
Sewer MWPAT	08/01/19	2.36%	30,000	-	10,000	20,000
Sewer Refunded	09/01/22	2.0%-3.0%	30,000	-	5,000	25,000
Sewer Treatment	11/15/23	2.0%-5.0%	585,000	-	85,000	500,000
Sewer	11/15/23	2.0%-5.0%	17,500	-	2,500	15,000
Sewer	11/15/23	2.0%-5.0%	17,500	-	2,500	15,000
Sewer Mains	08/23/20	3.5%-4.25%	40,000	-	10,000	30,000
Sewer	09/01/23	2.0%-3.0%	255,000	-	40,000	215,000
Water - Refunded	12/15/19	3.0%-4.75%	60,000	-	20,000	40,000
Water	09/01/21	2.0%-3.0%	155,000	-	35,000	120,000
Water Engineering	09/01/23	2.0%-3.0%	100,000	-	15,000	85,000
Water Pump Station	09/01/23	2.0%-3.0%	70,000	-	10,000	60,000
Water Treatment	09/01/23	2.0%-3.0%	180,000	-	30,000	150,000
Water	09/01/23	2.0%-3.0%	150,000	-	25,000	125,000
Mass CWT	01/15/36	2.0%	825,212	-	35,544	789,668
Electric	12/15/27	3.0%-4.0%	<u>825,000</u>	=	<u>75,000</u>	<u>750,000</u>
Totals			<u>3,340,212</u>	=	<u>400,544</u>	<u>2,939,668</u>

The annual debt service requirements of the Town's outstanding indebtedness at June 30, 2018 (December 31, 2017 for electric light business-type activities) are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities Principal</u>	<u>Governmental Activities Interest</u>	<u>Business-type Activities Principal</u>	<u>Business-type Activities Interest</u>	<u>Total Principal</u>	<u>Total Interest</u>
2019	\$325,000	39,036	391,316	87,107	716,316	126,143
2020	320,000	30,065	387,106	74,155	707,106	104,220
2021	260,000	21,850	357,912	61,829	617,912	83,679
2022	255,000	14,775	348,736	50,188	603,736	64,963
2023	250,000	7,200	309,578	38,927	559,578	46,127
2024 – 2028	115,000	1,725	756,173	92,330	871,173	94,055
2029 – 2033	-	-	235,140	29,681	235,140	29,681
2034 – 2038	=	=	<u>153,707</u>	<u>6,192</u>	<u>153,707</u>	<u>6,192</u>
Totals	<u>\$1,525,000</u>	<u>114,651</u>	<u>2,939,668</u>	<u>440,409</u>	<u>4,464,668</u>	<u>555,060</u>

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

Note 8. Bonds and Capital Leases Payable (continued)

Of the total business-type activities debt service requirements of \$3,380,077, the Town is scheduled to receive \$6,520 as reimbursement from the Commonwealth of Massachusetts Water Pollution Abatement Trust. Of this reimbursement amount, \$5,500 is related to debt principal and has been recorded as an intergovernmental receivable in the financial statements.

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

As of June 30, 2018, the Town may issue approximately \$36,670,710 of additional general obligation debt under the normal debt limit. The Town has \$2,239,668 of issued debt exempt from the debt limit. At June 30, 2018, the Town has no authorized and unissued debt.

In addition to the Town's outstanding debt, the Town is assessed its share of debt from other governmental entities (known as overlapping debt). For the Pentucket Regional School District, the Town's share of the Regional School's \$15,145,339 debt at June 30, 2018 (based on current assessment percentages) is 13.45% or \$2,037,048.

On August 8, 2014, the Town entered into an equipment lease purchase financing agreement with a financial institution for the purchase and installation of energy savings equipment. At June 30, 2018, the balance of this loan was \$727,072. The interest rate is fixed at 2.65%. The annual payments required under this capital lease at June 30, 2018 are as follows:

<u>Fiscal Year</u>	Governmental Activities <u>Principal</u>	Governmental Activities <u>Interest</u>	Business-type Activities <u>Principal</u>	Business-type Activities <u>Interest</u>	Total <u>Principal</u>	Total <u>Interest</u>
2019	\$61,259	13,812	21,769	4,909	83,028	18,721
2020	70,223	12,130	24,955	4,311	95,178	16,441
2021	73,641	10,247	26,170	3,641	99,811	13,888
2022	77,191	8,272	27,432	2,939	104,623	11,211
2023	80,876	8,237	28,741	2,204	109,617	10,441
2024 – 2028	173,247	11,895	61,568	2,060	234,815	13,955
2029 – 2033	=	=	=	=	=	=
Totals	<u>\$536,437</u>	<u>64,593</u>	<u>190,635</u>	<u>20,064</u>	<u>727,072</u>	<u>84,657</u>

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

Note 9. Governmental Fund Balances

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

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Fund Balances:			
Nonspendable:			
Permanent fund principal	\$ -	353,917	353,917
Restricted:			
Permanent fund spendable amounts	-	118,842	118,842
Cable TV	-	390,538	390,538
Inspections	-	150,742	150,742
Affordable housing	-	120,444	120,444
Other purposes – special revenue	-	257,709	257,709
Other purposes – capital projects	-	-	-
Assigned:			
Gifts and donations	-	56,920	56,920
General government encumbrances	131,693	-	131,693
Public safety encumbrances	225,342	-	225,342
Public works encumbrances	201,357	-	201,357
Other general fund encumbrances	57,790	-	57,790
Unassigned:			
Capital projects deficit	-	(79,189)	(79,189)
Stabilization funds	1,066,979	-	1,066,979
General fund residual balance	<u>1,058,586</u>	-	<u>1,058,586</u>
Total governmental fund balances	<u>\$2,741,747</u>	<u>1,369,923</u>	<u>4,111,670</u>

Note 10. Inter-fund Transfers

Operating transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Transfers are typically made to offset the cost of budgeted items in the general fund or to set aside funds for future use. For the year ended June 30, 2018, the general fund transferred \$500 to a revolving fund and received \$10,000 from the electric enterprise fund in lieu of taxes, \$6,000 from the cemetery lots and graves fund, \$65,000 from inspections revolving to offset costs and \$10,990 from capital projects to close out old balances. The general fund also received. \$50,000 from the capital stabilization fund and \$50,000 from the ambulance stabilization fund (these appears only in the budgetary statement transfers, as the stabilization funds are now included in the general fund based on the requirements of GASB 54).

Note 11. Pension Plans

Essex Regional Retirement System:

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

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

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

Note 11. Pension Plans (continued)

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

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

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

Contributions: Chapter 32 of MGL governs the contributions of plan members and member employers. Employees contribute 5% of regular compensation if employed prior to January 1, 1975; 7% if first employed from January 1, 1975 to December 31, 1983; 8% of the first \$30,000 and 10% thereafter if first employed on or after January 1, 1984; and 9% of the first \$30,000 and 11% thereafter if first employed on or after January 1, 1998. The Town's contribution reflects its share of the system-wide actuarial determined contribution, in accordance with Chapter 32 Section 22D of MGL, apportioned among all System employers based on an annual employer normal cost and amortization payments to pay the unfunded net pension liability in full by fiscal year 2035. Contributions to the System by the Town for the year ended June 30, 2018 were \$806,361.

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

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

[Note: the amounts reported in the financial statements are different from the amounts discussed below solely due to the presentation of the light enterprise fund as of December 31, 2017.]

At June 30, 2018, the Town reported a liability of \$9,250,743 for its proportionate share of the net pension liability. The net pension liability was measured at January 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018, rolled back to December 31, 2017. There were no material changes made in this update to the actuarial assumptions or to the retirement terms since the last actuarial valuation. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2017, the Town's proportion was 2.458%.

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

Note 11. Pension Plans (continued)

For the year ended June 30, 2018, the Town recognized pension expense of \$998,717. At June 30, 2018, the Town reported the following deferrals related to pensions: deferred outflows of 1) \$759,513 for changes in assumptions, 3) \$102,339 in the change in allocated proportion and deferred inflows of 1) \$130,915 for the difference between expected and actual experience, 2) \$42,565 for changes in employer proportion and 3) \$407,292 for the net difference between projected and actual investment earnings. Total net deferred outflows and inflows of \$281,080 (net outflows) will be recognized in pension expense as follows:

Fiscal year ended June 30:	
2019	\$141,528
2020	\$150,530
2021	\$32,515
2022	<u>(\$43,493)</u>
Total	<u>\$281,080</u>

Actuarial Assumptions: The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

COLA	3 percent of the first \$13,000
Salary increases	Based on years of service, ranging from 3.75%-7.5%
Investment rate of return	7.5 percent
Actuarial cost method	Entry Age Normal

Mortality rates were based on the RP-2000 Mortality Table (sex-distinct) projected with Scale BB and generational mortality. For disabled lives, the mortality rates were based on the RP-2000 Mortality Table (sex distinct) set forward two years.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	17.50%	6.15%
International developed equities	15.50%	7.11%
International emerging equities	6.00%	9.41%
Core fixed income	12.00%	1.68%
High-yield fixed income	10.00%	4.13%
Real estate	10.00%	4.9%
Commodities	4.00%	4.71%
Private equity	12.00%	10.28%
Hedge funds/Other	<u>13.00%</u>	3.49%
Total	<u>100%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7.5% (formerly 7.75%). The projection of cash flows used to determine the discount rate assumed that plan member contributions

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

Note 11. Pension Plans (continued)

will be made at the current contribution rates and that contributions will be made at the actuarially determined contribution rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Town's proportionate share of the net pension liability of the System calculated using the discount rate of 7.5%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
\$11,638,559	\$9,250,743	\$7,242,257

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

Note 12. Other Post-Employment Benefits (OPEB)

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

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

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

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

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

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

[Note: the amounts reported in the financial statements are different from the amounts discussed below solely due to the presentation of the light enterprise fund as of December 31, 2017.]

OPEB Plan disclosures that impact the Town's net OPEB liability using a measurement date of July 1, 2017 are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2018:

Active employees	51
Inactive employees	29
Total	<u>80</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Currently, members receiving these benefits contribute at a 50% coverage rate or at 50% of the Medex rate, depending on the plan. The remainder of the cost is funded by general revenues of the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2018, the Town's average contribution rate was approximately 11% of covered-employee payroll.

Net OPEB Liability – The Town's net OPEB liability was measured as of June 30, 2018 using an actuarial valuation as of July 1, 2017. The components of the net OPEB liability of the Town at June 30, 2018 were as follows:

Total OPEB Liability	\$ 3,748,132
Plan fiduciary net position	<u>(1,388,414)</u>
Net OPEB liability	<u>\$ 2,359,718</u>
Plan fiduciary net position as a percentage of the total OPEB liability	37.04%

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

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

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

Investment rate of return	6.35%, net of OPEB plan investment expense, including inflation.
Municipal bond rate	3.45% as of June 30, 2018
Discount Rate	6.5%, net of OPEB plan investment expense including inflation.
Inflation	2.75% annually as of June 30, 2018 and for future periods
Health Care Trend Rate	5%
Salary Increases	3.00% annually as of June 30, 2018 and for future periods
Cost of Living Adjustment	Not applicable.
Pre-Retirement Mortality	RP-2000 Employees Mortality Table projected with scale BB and a base year 2009 for males and females
Post-Retirement Mortality	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2009 for males and females
Disabled Mortality	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females
Actuarial Cost Method	Individual entry age normal

Discount Rate – The discount rate used to measure the total OPEB liability was 6.5%. There were no change in assumptions from the prior year.

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

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

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

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

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

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity - Large Cap	35.00%	4.00%
Domestic Equity - Small/Mid Cap	20.00%	6.00%
International Equity - Developed Market	0.00%	4.50%
International Equity - Emerging Market	0.00%	7.00%
Domestic Fixed Income	30.00%	2.00%
International Fixed Income	0.00%	3.00%
Alternatives	10.00%	6.50%
Cash	5.00%	0.00%
	<u>100.00%</u>	
Real rate of return		3.85%
Inflation assumption		2.75%
Total nominal rate of return		6.60%
Investment expense		-0.25%
Net investment return		<u>6.35%</u>

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

	Discount Rate		
	1% Decrease (5.5%)	Trend Rate (6.5%)	1% Increase (7.5%)
Net OPEB Liability	\$ 2,957,114	\$ 2,359,718	\$ 1,834,363
Service Cost	149,869	116,018	87,454

	Health Care Rate		
	1% Decrease (4%)	Current (5%)	1% Increase (6%)
Net OPEB Liability	\$ 1,349,072	\$ 2,359,718	\$ 3,642,744
Service Cost	71,447	116,018	176,364

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2018:

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	\$ 3,518,618	\$ 1,115,781	\$ 2,402,837
Changes for the year:			
Service cost	116,018	-	116,018
Interest	232,873	-	232,873
Difference between expected and actual experience	(13,775)	-	(13,775)
Net investment income	-	51,876	(51,876)
Employer contributions	-	326,359	(326,359)
Benefit payments withdrawn from trust	-	(105,602)	105,602
Benefit payments, implicit cost	(4,912)	-	(4,912)
Benefit payments, excluding implicit cost	(100,690)	-	(100,690)
Net changes	229,514	272,633	(43,119)
Balances at June 30, 2018	\$ 3,748,132	\$ 1,388,414	\$ 2,359,718

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the Town recognized OPEB expense of \$273,888. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2018 were reported as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual investment earnings	\$ -	\$ 20,702
Differences between expected and actual experience	11,350	-
	\$ 11,350	\$ 20,702

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB (net outflow of \$9,352) will be recognized in OPEB expense (benefit) as follows:

June 30	
2019	\$ 2,750
2020	\$ 2,750
2021	\$ 2,750
2022	\$ 2,752
2023	\$ (1,650)
2024	\$ -
	\$ 9,352

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

Note 13. Landfill Closure and Post Closure Care Costs

State and Federal regulations require that the Town place a final cover on its landfill after the landfill is closed and also to perform certain ongoing maintenance and monitoring for thirty years after closure. The Town's landfill is closed. The Town plans to fund post closure testing and monitoring costs, estimated at \$315,000 over the next eighteen years, from its annual tax levy. This estimated liability, which is subject to change due to inflation, technology and applicable regulations, is presented in the Statement of Net Position.

Note 14. Commitments

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

Note 15. Risk Management

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

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

Note 16. Prior Period Restatement

The Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018. Previously, OPEB was accounted for under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The result of the adoption of GASB Statement No. 75 was to eliminate the net OPEB obligation recorded in the Town financial statements and record the net OPEB liability at June 30, 2017. [Note: The Light Department, presented as of December 31, 2017, will not adopt GASB 75 until the year ended December 31, 2018.]

The impact is illustrated in the table below:

	Governmental	Business Type	Water	Sewer
Net position at June 30, 2017, as reported	\$ 11,683,450	\$ 16,666,320	\$ 2,815,319	\$ 6,268,640
Eliminate previously recorded OPEB obligation	1,299,604	307,900	92,589	215,311
Record net OPEB liability	(1,932,965)	(259,950)	(140,276)	(119,674)
Net position at June 30, 2017, as restated	\$ 11,050,089	\$ 16,714,270	\$ 2,767,632	\$ 6,364,277

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2018

Note 17. Implementation of new GASB Statements

During fiscal year 2018, the Town implemented the following GASB pronouncements:

- GASB Statement #75 – *Accounting and Financial Reporting for Postemployment Benefits Plans Other than Pensions*, which was required to be implemented in fiscal year 2018. The Town has successfully implemented this statement in its financial statements.
- GASB Statement #81 – *Irrevocable Split-Interest Agreements*, which was required to be implemented in fiscal year 2017. This Statement did not have any significant impact on the Town's financial statements.
- GASB Statement #85 – *Omnibus 2017*, which was required to be implemented in fiscal year 2018. This Statement did not have any significant impact on the Town's financial statements.
- GASB Statement #86 – *Certain Debt Extinguishment Issues*, which was required to be implemented in fiscal year 2018. This Statement did not have any significant impact on the Town's financial statements.

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

- GASB Statement #83 – *Certain Asset Retirement Obligations*, which is required to be implemented in fiscal year 2019. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #84 – *Fiduciary Activities*, which is required to be implemented in fiscal year 2020. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #87 – *Leases*, which is required to be implemented in fiscal year 2021. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is required to be implemented in fiscal year 2020. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in fiscal year 2021. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #90 – *Majority Equity Interests*—an amendment of GASB Statements No. 14 and No. 61, which is required to be implemented in fiscal year 2020. The Town is currently evaluating the possible impact of this will have on its financial statements.

Town of Merrimac, Massachusetts
Required Supplementary Information
Fiscal Year Ended June 30, 2018

Town of Merrimac's Proportionate Share of Net Pension Liability - Essex Regional Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	<u>2.458%</u>	<u>2.465%</u>	<u>2.41%</u>	<u>2.395%</u>
Town's proportionate share of the net pension liability	<u>\$9,250,743</u>	<u>\$9,499,256</u>	<u>\$8,843,732</u>	<u>\$8,216,535</u>
Town's covered-employee payroll	<u>\$3,079,919</u>	<u>\$3,066,691</u>	<u>\$3,066,196</u>	<u>\$2,947,906</u>
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>300.4%</u>	<u>309.8%</u>	<u>288.4%</u>	<u>275.3%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>55.4%</u>	<u>51.12%</u>	<u>51.0%</u>	<u>52.2%</u>

Town of Merrimac's Schedule of Contributions - Essex Regional Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	<u>\$806,361</u>	<u>\$752,567</u>	<u>\$704,032</u>	<u>\$549,867</u>
Contributions in relation to the contractually required contribution	<u>(806,361)</u>	<u>(752,567)</u>	<u>(704,032)</u>	<u>(549,867)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Town's covered-employee payroll	<u>\$3,079,919</u>	<u>\$3,066,691</u>	<u>\$3,066,196</u>	<u>\$2,947,906</u>
Contributions as a percentage of covered-employee payroll	<u>26.2%</u>	<u>24.54%</u>	<u>22.96%</u>	<u>18.65%</u>

The above schedules are required for ten years. Additional years will be presented as they become available. The amounts were determined for each year as of the prior December 31st. Differences between amounts above and the financial statements due solely to the presentation of the electric enterprise fund as of the prior December 31st.

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

	<u>2018</u>	<u>2017</u>
<u>Total OPEB Liability (GASB 74)</u>		
Service cost	\$116,018	\$108,937
Interest on total OPEB liability	\$232,873	\$223,803
Changes in benefit terms	\$0	\$0
Difference between expected and actual plan experience	(\$13,775)	(\$39,114)
Changes in assumptions	\$0	\$0
Benefit payments, including refunds of member contributions	(\$105,602)	(\$214,993)
Net change in total OPEB liability	\$229,514	\$78,633
Total OPEB liability - beginning of year	\$3,518,618	\$3,439,985
Total OPEB liability - end of year	<u>\$3,748,132</u>	<u>\$3,518,618</u>

Plan Fiduciary Net Position (GASB 74)

Earnings from plan investments	<u>\$51,876</u>	<u>\$67,393</u>
Net investment income (loss)	\$51,876	\$67,393
Employer contributions	\$326,359	\$510,564
Benefit payments	(\$105,602)	(\$214,993)
Administrative expense	<u>\$0</u>	<u>\$0</u>
Net change in fiduciary plan net position	\$272,633	\$362,964
Plan fiduciary net position - beginning of year	<u>\$1,115,781</u>	<u>\$752,817</u>
Plan fiduciary net position - end of year	<u>\$1,388,414</u>	<u>\$1,115,781</u>
Net OPEB liability	<u>\$2,359,718</u>	<u>\$2,402,837</u>

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

Differences between amounts above and amounts in the financial statements are due solely to the presentation of the Light Department as of December 31, 2017.

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

Town of Merrimac, Massachusetts
Required Supplementary Information

SCHEDULE OF CONTRIBUTIONS

	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2017</u>
Actuarially-determined contribution	\$ 285,690	\$ 302,154
Contributions in relation to the actuarially-determined contribution	<u>(326,359)</u>	<u>(510,564)</u>
Contribution deficiency (excess)	<u>\$ (40,669)</u>	<u>\$ (208,410)</u>
Covered-employee payroll	<u>\$ 3,859,621</u>	<u>\$ 2,906,555</u>
Contribution as a percentage of covered-employee payroll	<u>8.46%</u>	<u>17.57%</u>

SCHEDULE OF INVESTMENT RETURNS

	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2017</u>
Annual money-weighted rate of return, net of investment expense	4.18%	7.94%

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

Note: Differences between amounts above and amounts in the financial statements are due solely to the presentation of the Light Department as of December 31, 2017.

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

Town of Merrimac, Massachusetts
Notes to the Required Supplementary Information
June 30, 2018

Note A – Pension Plan Schedules

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

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

B. Schedule of Town's Contributions

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

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

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

D. Changes in Assumptions

The following assumption changes were reflected in the January 1, 2018 actuarial valuation:

- The inflation rate was changed from 4.0% to 2.75%.
- Investment rate of return changed from 7.75% to 7.5%.
- Assumed interest of employee contributions was changed from 2.0% to 3.75%.
- Administrative expense assumption was changed from \$1,127,500 to \$1,000,000.
- Retirements rates for Group 1 and 2 hired after 4/1/12 and in Group 4 were revised to match rates for employees hired before 4/1/12.
- Percentage of accidental disability retirees expected to die from the cause of the disability was changed from 40% to 20% for Group 1 and 2 and from 40% to 60% for Group 4.

E. Changes in Plan Provisions

There were no plan provision changes in the January 1, 2018 actuarial valuation.

Town of Merrimac, Massachusetts
Notes to the Required Supplementary Information
June 30, 2018

Note B – Other Post-Employment Schedules

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

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

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

B. Schedule of the Town’s Contributions

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

C. Schedule of Investment Return

The Schedule of Investment Return includes the money-weighted investment return on the Plan’s other postemployment assets, net of investment expense. The Town currently finances its other postemployment benefits (OPEB) on a combined pre-funded and pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 37.04%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

D. Changes in Assumptions

This is the first OPEB actuarial study completed in accordance with GASB 75. There were numerous changes from the last study which was completed in compliance with GASB 45.

E. Changes in Plan Provisions

There were no plan provision changes in the July 1, 2017 actuarial valuation.

TOWN OF MERRIMAC, MASSACHUSETTS

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2018

	<u>Special Revenue</u>				
	<u>Grants</u>	<u>Other</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<u>Assets</u>					
Cash and cash equivalents	\$ 70,687	975,955	100,000	73,312	1,219,954
Investments	-	-	-	400,129	400,129
Receivables:					
Departmental	-	5,896	-	-	5,896
Due from other governments	225,223	-	-	-	225,223
 Total assets	 \$ <u>295,910</u>	 <u>981,851</u>	 <u>100,000</u>	 <u>473,441</u>	 <u>1,851,202</u>
 <u>Liabilities</u>					
Warrants and accounts payable	\$ 267,400	18,198	79,189	682	365,469
Accrued Payroll	2,588	7,326	-	-	9,914
Notes payable	-	-	100,000	-	100,000
 Total liabilities	 <u>269,988</u>	 <u>25,524</u>	 <u>179,189</u>	 <u>682</u>	 <u>475,383</u>
 <u>Deferred Inflows of Resources</u>					
Unavailable revenue	-	5,896	-	-	5,896
 <u>Fund balances</u>					
Nonspendable	-	-	-	353,917	353,917
Restricted	25,922	893,511	-	118,842	1,038,275
Assigned	-	56,920	-	-	56,920
Unassigned	-	-	(79,189)	-	(79,189)
 Total fund balances	 <u>25,922</u>	 <u>950,431</u>	 <u>(79,189)</u>	 <u>472,759</u>	 <u>1,369,923</u>
 Total liabilities, deferred inflows of resources and fund balances	 \$ <u>295,910</u>	 <u>981,851</u>	 <u>100,000</u>	 <u>473,441</u>	 <u>1,851,202</u>

TOWN OF MERRIMAC, MASSACHUSETTS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2018

	<u>Special Revenue</u>				
	<u>Grants</u>	<u>Other</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
Revenues:					
Departmental charges for services	\$ -	258,276	-	4,400	262,676
Intergovernmental	947,532	7,163	-	-	954,695
Investment income	2	15	-	16,858	16,875
Other	100	244,168	-	-	244,268
Total revenues	<u>947,634</u>	<u>509,622</u>	<u>-</u>	<u>21,258</u>	<u>1,478,514</u>
Expenditures:					
Current:					
General government	360,717	157,614	7,400	-	525,731
Public safety	150,819	106,890	79,189	-	336,898
Public works	384,199	-	-	4,934	389,133
Human services	11,950	53,430	-	-	65,380
Recreation and culture	15,406	11,323	-	-	26,729
Total expenditures	<u>923,091</u>	<u>329,257</u>	<u>86,589</u>	<u>4,934</u>	<u>1,343,871</u>
Excess (deficiency) of revenues over expenditures	24,543	180,365	(86,589)	16,324	134,643
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	(70,500)	(14,990)	-	(85,490)
Total other financing sources (uses)	<u>-</u>	<u>(70,500)</u>	<u>(14,990)</u>	<u>-</u>	<u>(85,490)</u>
Net changes in fund balances	<u>24,543</u>	<u>109,865</u>	<u>(101,579)</u>	<u>16,324</u>	<u>49,153</u>
Fund balance, beginning of year	<u>1,379</u>	<u>840,566</u>	<u>22,390</u>	<u>456,435</u>	<u>1,320,770</u>
Fund balance, end of year	<u>\$ 25,922</u>	<u>950,431</u>	<u>(79,189)</u>	<u>472,759</u>	<u>1,369,923</u>