



Bill Fraher, CPA

TOWN OF MERRIMAC, MASSACHUSETTS

Basic Financial Statements, Required Supplementary
Information and Supplementary Information

Year ended June 30, 2019
(Except for the Electric Enterprise Fund
which is December 31, 2018)

(With Independent Auditor's Report Thereon)

TOWN OF MERRIMAC, MASSACHUSETTS

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Bill Fraher, CPA
1313 Washington Street - Unit 225
Boston, MA 02118
Tel: 617-699-2877
Fax: 617-830-9393
bfraher2877@aol.com

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, 2019 (except for the electric enterprise fund which is December 31, 2018), 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, 2019 (except for the electric enterprise fund which is December 31, 2018), 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, for its fiscal year ended December 31, 2018, the Electric Enterprise Fund 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 July 13, 2020 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
July 13, 2020



Bill Fraher, CPA
1313 Washington Street - Unit 225
Boston, MA 02118
Tel: 617-699-2877
Fax: 617-830-9393
bfraher2877@aol.com

**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, 2019 (except for the electric enterprise fund which is December 31, 2018), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued my report thereon dated July 13, 2020.

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.

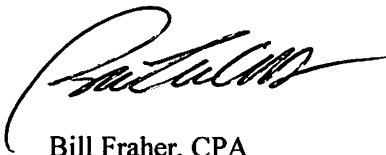
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify 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 July 13, 2020.

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

A handwritten signature in black ink, appearing to read 'Bill Fraher', with a large, sweeping initial 'B'.

Bill Fraher, CPA
July 13, 2020

Town of Merrimac, Massachusetts
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2019

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, 2019. Please read it in conjunction with the Town's financial statements, which begin on page 13.

Financial Highlights of Fiscal Year 2019 (July 1, 2018 – June 30, 2019)

- The Town's assets exceeded its liabilities at the close of FY2019 by \$29,047,537 (net position) as compared with \$28,305,917 at June 30, 2018 (as restated for the electric enterprise fund's implementation of GASB 75). Of the amount at June 30, 2019, \$(3,040,624) is considered unrestricted (negative unrestricted net position), as compared to \$(3,080,146, as restated) last year. The unrestricted net position of the Town's governmental activities is \$(4,834,183) and represents liabilities and deferred inflows exceeding assets and deferred outflows. The unrestricted net position of business-type activities is \$1,793,559 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 2019 was \$23,796,333, as compared to \$23,404,157 last year, or an increase of \$392,166 or 1.68%. Of the total cost of services, \$16,424,387 was spent on governmental activities (compared to \$16,415,153 last year) and an additional \$7,371,946 was spent on business type activities consisting of the light, water and sewer departments (compared to \$6,989,014 last year).
- At June 30, 2019, the Town's governmental funds reported a combined ending fund balance of \$3,036,676, down 26.14% from \$4,111,670 at June 30, 2018, due to positive results in the general and special revenue funds offset by capital project expenditures not yet bonded. A total of \$1,852,819 of general fund balance is considered unassigned at June 30, 2019.
- The Town's total bonded indebtedness is \$5,348,352, up from \$4,464,668 last year. The Town also shows a liability of \$2,435,134 for Other Post-Employment Benefits (retiree health insurance), \$644,044 for capital lease payable, \$300,000 for landfill post closure care costs, \$296,643 for compensated absences and \$9,962,493 for the net pension liability. The Town also has a bond anticipation note of \$3,100,000 for capital projects.
- The Town has additional overlapping debt of \$187,025 for the Town's share (12.8 %) of the Pentucket Regional School District.
- The Town's bond rating is AA+.

Overview of the Financial Statements:

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

Town of Merrimac, Massachusetts
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2019

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

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

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

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

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

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

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

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

Town of Merrimac, Massachusetts
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(Required Supplementary Information)
June 30, 2019

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)
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Town of Merrimac's Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Current and other assets	\$ 5,433,493	\$ 7,587,192	\$ 8,947,174	\$ 8,919,881	\$ 14,380,667	\$ 16,507,073
Capital assets	\$ 16,945,725	\$ 18,324,302	\$ 17,154,969	\$ 16,864,900	\$ 34,100,694	\$ 35,189,202
Total assets	\$ 22,379,218	\$ 25,911,494	\$ 26,102,143	\$ 25,784,781	\$ 48,481,361	\$ 51,696,275
Deferred Out Flows of Resources						
Deferred amounts related to pensions	\$ 562,805	\$ 749,315	\$ 486,912	\$ 548,054	\$ 1,049,717	\$ 1,297,369
Current liabilities	\$ 1,259,465	\$ 4,365,147	\$ 2,572,969	\$ 876,884	\$ 3,832,434	\$ 5,242,031
Long term liabilities	\$ 9,972,019	\$ 10,143,517	\$ 6,902,581	\$ 7,910,156	\$ 16,874,600	\$ 18,053,673
Total Liabilities	\$ 11,231,484	\$ 14,508,664	\$ 9,475,550	\$ 8,787,040	\$ 20,707,034	\$ 23,295,704
Deferred Inflows of Resources						
Deferred amounts related to pensions	\$ 377,975	\$ 265,515	\$ 140,152	\$ 384,888	\$ 518,127	\$ 650,403
Net Position:						
Invested in capital, net of related debt	\$ 14,884,288	\$ 15,128,805	\$ 12,427,799	\$ 12,550,231	\$ 27,312,087	\$ 27,679,036
Restricted	\$ 1,369,923	\$ 1,592,008	\$ 2,704,053	\$ 2,817,117	\$ 4,073,976	\$ 4,409,125
Unrestricted	\$ (4,921,647)	\$ (4,834,183)	\$ 1,841,501	\$ 1,793,559	\$ (3,080,146)	\$ (3,040,624)
Total Net Position	\$ 11,332,564	\$ 11,886,630	\$ 16,973,353	\$ 17,160,907	\$ 28,305,917	\$ 29,047,537
Change in Net Position from 2018 to 2019	\$ 554,066		\$ 187,554		\$ 741,620	

The Town's assets exceeded liabilities by \$29,047,537 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 Construction, Library Roof and Town Hall Exterior Repairs.

The largest portion of the Town's total net position (95.29%) 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 (15.18%) represents resources that are subject to restrictions placed on how they may be used by parties external to the Town. The remaining -10.47% 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 \$-3,080,146; the positive unrestricted net position of the Town's business-type activities, \$1,793,559, 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 \$741,620 during the current fiscal

Town of Merrimac, Massachusetts
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2019

year, governmental activities total position increased by \$554,066 while the business activities total position increased by \$187,554.

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 2019.

Town of Merrimac's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Revenues:						
Program revenues:						
Charges for Services	\$ 886,122	\$ 927,856	\$ 7,068,095	\$ 7,547,152	\$ 7,954,217	\$ 8,475,008
Operating Grants and Contributions	\$ 547,839	\$ 501,508			\$ 547,839	\$ 501,508
Capital Grants and Contributions	\$ 755,690	\$ 289,479			\$ 755,690	\$ 289,479
General Revenues:						
Property Taxes	\$ 12,521,028	\$ 13,077,629			\$ 12,521,028	\$ 13,077,629
Excise Taxes	\$ 993,379	\$ 1,027,211			\$ 993,379	\$ 1,027,211
Other	\$ 993,570	\$ 1,154,770	\$ 202,438	\$ 12,348	\$ 1,196,008	\$ 1,167,118
Total Revenues and Transfers	\$ 16,697,628	\$ 16,978,453	\$ 7,270,533	\$ 7,559,500	\$ 23,968,161	\$ 24,537,953
Expenses:						
General Government	\$ 1,741,400	\$ 1,409,944			\$ 1,741,400	\$ 1,409,944
Public Safety	\$ 2,816,668	\$ 2,723,893			\$ 2,816,668	\$ 2,723,893
Education	\$ 8,983,760	\$ 9,408,670			\$ 8,983,760	\$ 9,408,670
Public Works	\$ 1,661,936	\$ 1,521,112			\$ 1,661,936	\$ 1,521,112
Health & Human Services	\$ 631,541	\$ 671,701			\$ 631,541	\$ 671,701
Recreation and Culture	\$ 494,794	\$ 580,036			\$ 494,794	\$ 580,036
Interest on Debt Service	\$ 85,054	\$ 109,031			\$ 85,054	\$ 109,031
Water			\$ 1,118,480	\$ 1,073,046	\$ 1,118,480	\$ 1,073,046
Sewer			\$ 1,139,724	\$ 1,299,758	\$ 1,139,724	\$ 1,299,758
Electric			\$ 4,730,810	\$ 4,999,142	\$ 4,730,810	\$ 4,999,142
Total Expenses	\$ 16,415,153	\$ 16,424,387	\$ 6,989,014	\$ 7,371,946	\$ 23,404,167	\$ 23,796,333
Change in Net Assets	\$ 282,475	\$ 554,066	\$ 281,519	\$ 187,554	\$ 563,994	\$ 741,620
Net Assets - Beginning of Year, as revised	\$ 11,050,089	\$ 11,332,564	\$ 16,691,834	\$ 16,973,353	\$ 27,741,923	\$ 28,305,917
Net Assets - End of Year	\$ 11,332,564	\$ 11,886,630	\$ 16,973,353	\$ 17,160,907	\$ 28,305,917	\$ 29,047,537
% of Increase		4.89%		1.10%		2.62%

Government Activities – Governmental activities net position increased by \$554,066 or 4.89% during 2019. 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.

Town of Merrimac, Massachusetts
Management's Discussion and Analysis
(Required Supplementary Information)
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Business-type Activities – Business-type activities increased the Town's net position by \$187,554 or 1.10% during Fiscal Year 2019. Positive operating results for water and electric are the primary reason for the increase in business-type activities net assets.

Financial Analysis of Governmental Funds

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

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

As of June 30, 2019, the Town's governmental funds reported combined ending fund balances of \$3,036,676, a decrease of \$1,074,984 in comparison with the prior year. \$332,369 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, 2019, unassigned fund balance of the general fund was \$1,852,688, \$1,289,195 of this amount relates to the Stabilization Fund. An additional \$1,033,131 was assigned for continued appropriations, making general fund total fund balance of \$2,885,819. 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 11.7% of total general fund expenditures (including transfers), while total fund balance represents 18.3% of the same amount.

Fund Balance Trends

The total general fund balance of the Town increased by \$144,072, or 5.26%, during fiscal year 2019. The major reason for this increase was the use of available general fund balance for the 2019 budget and special articles, offset by positive operating results. On a budgetary basis, general fund actual expenditures were \$401,125 lower than budgeted while actual revenues were \$95,450 higher than budgeted.

Total fiscal year 2019 general fund revenues and transfers from other funds totaled \$15,927,192, an increase of \$588,434 or 3.8% over the previous fiscal year.

Town of Merrimac, Massachusetts
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2019

Town of Merrimac Revenue Changes

Source	FY2018 Amount	% of Total	FY2019 Amount	Increase/ (Decrease)	% Change
Real Estate and Personal Property Tax	\$ 12,537,716	81.50%	\$ 13,030,298	\$ 492,582	3.93%
Motor Vehicle Excise	\$ 979,825	6.50%	\$ 1,008,645	\$ 28,820	2.94%
Intergovernmental	\$ 982,410	6.50%	\$ 1,011,281	\$ 28,871	2.94%
Departmental and other revenue	\$ 707,167	5.20%	\$ 736,241	\$ 29,074	4.11%
Investment Income	\$ 35,650	0.10%	\$ 116,327	\$ 80,677	226.30%
Total Revenues	\$ 15,242,768	99.80%	\$ 15,902,792	\$ 660,024	4.33%
Transfers from other funds	\$ 95,990	0.20%	\$ 24,400	\$ (71,590)	-74.58%
Total revenue and transfers from other funds	\$ 15,338,758	100.00%	\$ 15,927,192	\$ 588,434	3.84%

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 3.93%.

Total general fund expenditures and transfers to other funds totaled \$15,783,120 an increase of \$421,215 or 2.7% over the previous fiscal year.

Town of Merrimac Expenditure Changes

Function	FY2018 Amount	% of Total	FY2019 Amount	Increase/ (Decrease)	% Change
General Government	\$ 831,081	5.4%	\$ 820,861	\$ (10,220)	-1.2%
Public Safety	\$ 2,041,825	13.3%	\$ 2,100,290	\$ 58,465	2.9%
Education	\$ 8,877,020	57.8%	\$ 9,192,063	\$ 315,043	3.5%
Public Works	\$ 1,216,802	7.9%	\$ 1,257,948	\$ 41,146	3.4%
Human Services	\$ 421,696	2.7%	\$ 456,892	\$ 35,196	8.3%
Recreation and Culture	\$ 312,130	2.0%	\$ 302,167	\$ (9,963)	-3.2%
Intergovernmental	\$ 97,694	0.6%	\$ 97,339	\$ (355)	-0.4%
Employee Benefits	\$ 995,274	6.5%	\$ 955,621	\$ (39,653)	-4.0%
Other	\$ 97,492	0.6%	\$ 102,711	\$ 5,219	5.4%
Debt Service	\$ 470,391	3.1%	\$ 497,228	\$ 26,837	5.7%
Total Expenditures	\$ 15,361,405	100.0%	\$15,783,120	\$ 421,715	2.7%
Transfers to other funds	\$ 500	0.0%	\$ -	\$ (500)	-100.0%
Total expenses and transfers to other funds	\$ 15,361,905	100.0%	\$15,783,120	\$ 421,215	2.7%

Significant changes are discussed below.

Town of Merrimac, Massachusetts
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2019

Increases in expenditures in fiscal year 2019 are due primarily to contractual wage and salary increases and new borrowing for capital projects underway.

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 \$329,098, an increase of \$12,706. Unrestricted net position of the Sewer Fund amounted to \$1,060,073, a decrease of \$90,088. Unrestricted net position of the Electric Fund amounted to \$404,388, an increase of \$29,440. 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 \$726,297 decrease to net changes in budgetary fund balances. This was due mostly to the use of available funds for capital items and stabilization transfers.

Long term debt – At June 30, 2019 the Town had total bonded debt outstanding of \$5,348,352, \$1,200,000 for governmental activities and \$4,148,352 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 2019 was 2.5% 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 2019 was \$93,615 the per capita income for Massachusetts for the same time was \$77,378. This compares favorably with both state and national incomes.
- According to the Town's Board of Assessors the average 2019 single family home in Merrimac is valued at \$385,690. All properties compare favorably with state and national property values.

The Town's Unrestricted Local Aid increased by Departmental Revenue 3.5% in FY2019, it is expected to increase by 2.7% in FY2020. 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, 2019

(Electric Business-Type Activity is as of December 31, 2018)

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 5,315,357	4,895,643	10,211,000
Investments	1,415,716	1,927,395	3,343,111
Receivables (net of allowance for uncollectibles)	684,309	1,729,148	2,413,457
Due from commonwealth	171,810	229	172,039
Other assets	-	367,466	367,466
Total current assets	7,587,192	8,919,881	16,507,073
Noncurrent assets:			
Cash and cash equivalents - restricted	-	88,904	88,904
Due from commonwealth	-	2,804	2,804
Capital assets not being depreciated	4,583,135	392,895	4,976,030
Capital assets being depreciated, net	13,741,167	16,380,297	30,121,464
Total noncurrent assets	\$ 18,324,302	16,864,900	35,189,202
Total assets	25,911,494	25,784,781	51,696,275
<u>Deferred Outflows of Resources</u>			
Deferred amounts related to pensions	729,540	517,303	1,246,843
Deferred amounts related to OPEB	19,775	30,751	50,526
Total deferred outflows	749,315	548,054	1,297,369
<u>Liabilities</u>			
Current liabilities:			
Warrants and accounts payable	\$ 674,324	215,165	889,489
Accrued payroll	142,088	22,618	164,706
Other accrued liabilities	-	88,904	88,904
Accrued interest payable	11,283	54,656	65,939
Notes payable	3,100,000	-	3,100,000
Accrued compensated absences	32,230	47,514	79,744
Landfill postclosure care costs	15,000	-	15,000
Capital leases payable	70,222	24,956	95,178
Bonds payable	320,000	423,071	743,071
Total current liabilities	4,365,147	876,884	5,242,031
Noncurrent liabilities:			
Landfill postclosure care costs	285,000	-	285,000
Accrued compensated absences	151,270	65,629	216,899
Other post-employment benefits	2,007,787	427,347	2,435,134
Capital leases payable	404,956	143,910	548,866
Net pension liability	6,414,504	3,547,989	9,962,493
Bonds payable	880,000	3,725,281	4,605,281
Total noncurrent liabilities	10,143,517	7,910,156	18,053,673
Total liabilities	14,508,664	8,787,040	23,295,704
<u>Deferred Inflows of Resources</u>			
Deferred amounts related to pensions	258,015	183,635	441,650
Deferred amounts related to OPEB	7,500	201,253	208,753
Total deferred inflows	265,515	384,888	650,403
<u>Net Position</u>			
Net investment in capital assets	15,128,805	12,550,231	27,679,036
Restricted for:			
Perpetual funds - nonexpendable	361,117	-	361,117
Perpetual funds - expendable	144,711	-	144,711
Capital projects and depreciation	-	2,817,117	2,817,117
Other specific purposes	1,086,180	-	1,086,180
Unrestricted	(4,834,183)	1,793,559	(3,040,624)
Total net position	\$ 11,886,630	17,160,907	29,047,537

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, 2019

(Electric Business-Type Activity is for the year ended December 31, 2018)

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	\$ 1,409,944	199,358	147,198	-	(1,063,388)	-	(1,063,388)
Public safety	2,723,893	563,340	59,867	-	(2,100,686)	-	(2,100,686)
Education	9,408,670	-	39,015	-	(9,369,655)	-	(9,369,655)
Public works	1,521,112	150,410	14,000	289,479	(1,067,223)	-	(1,067,223)
Human services	671,701	14,748	202,604	-	(454,349)	-	(454,349)
Recreation and culture	580,036	-	38,824	-	(541,212)	-	(541,212)
Interest on debt service	109,031	-	-	-	(109,031)	-	(109,031)
Total governmental activities	16,424,387	927,856	501,508	289,479	(14,705,544)	-	(14,705,544)
Business-type activities:							
Water	1,073,046	1,362,220	-	-	-	289,174	289,174
Sewer	1,299,758	1,120,184	-	-	-	(179,574)	(179,574)
Electric	4,999,142	5,064,748	-	-	-	65,606	65,606
Total business-type activities	7,371,946	7,547,152	-	-	-	175,206	175,206
Total government	\$ 23,796,333	8,475,008	501,508	289,479	(14,705,544)	175,206	(14,530,338)
General revenues:							
Property taxes					\$ 13,077,629	-	13,077,629
Excise taxes					1,027,211	-	1,027,211
Payments in lieu of taxes					1,295	-	1,295
Intergovernmental					880,471	-	880,471
Unrestricted investment earnings					116,353	(93,510)	22,843
Miscellaneous					146,651	122,101	268,752
Transfers in (out)					10,000	(16,243)	(6,243)
Total general revenues and transfers					15,259,610	12,348	15,271,958
Changes in net position					554,066	187,554	741,620
Net position - beginning of year, restated					11,332,564	16,973,353	28,305,917
Net position - end of year					\$ 11,886,630	17,160,907	29,047,537

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

TOWN OF MERRIMAC, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2019

	General Fund	Nonmajor Governmental Funds	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 2,080,955	3,234,402	5,315,357
Investments	984,929	430,787	1,415,716
Receivables:			
Property taxes	224,834	-	224,834
Tax liens	237,706	-	237,706
Motor vehicle excise	136,064	-	136,064
Departmental	106,671	4,691	111,362
Less: allowance for uncollectible accounts	(25,657)	-	(25,657)
Due from other governments	64,129	107,681	171,810
 Total assets	 \$ <u>3,809,631</u>	 \$ <u>3,777,561</u>	 \$ <u>7,587,192</u>
 <u>Liabilities</u>			
Warrants and accounts payable	\$ 157,493	516,831	674,324
Accrued payroll and withholdings	136,906	5,182	142,088
Notes payable	-	3,100,000	3,100,000
 Total liabilities	 <u>294,399</u>	 <u>3,622,013</u>	 <u>3,916,412</u>
 <u>Deferred Inflows of Resources</u>			
Unavailable revenue	<u>629,413</u>	<u>4,691</u>	<u>634,104</u>
 <u>Fund balances</u>			
Nonspendable	-	361,117	361,117
Restricted	-	1,226,200	1,226,200
Assigned	1,033,131	83,859	1,116,990
Unassigned	<u>1,852,688</u>	<u>(1,520,319)</u>	<u>332,369</u>
 Total fund balances	 <u>2,885,819</u>	 <u>150,857</u>	 <u>3,036,676</u>
 Total liabilities, deferred inflows of resources and fund balances	 \$ <u>3,809,631</u>	 <u>3,777,561</u>	 <u>7,587,192</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
Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Property taxes	\$ 13,030,298	-	13,030,298
Excise taxes	1,008,645	-	1,008,645
Payments in lieu of taxes	1,295	-	1,295
Departmental charges for services	545,090	204,553	749,643
Licenses and permits	81,254	-	81,254
Intergovernmental	1,011,281	424,510	1,435,791
Fines	35,191	-	35,191
Investment income	116,327	31,027	147,354
Other	73,411	277,905	351,316
Total revenues	<u>15,902,792</u>	<u>937,995</u>	<u>16,840,787</u>
Expenditures:			
Current:			
General government	820,861	215,636	1,036,497
Public safety	2,100,290	883,862	2,984,152
Education	9,192,063	-	9,192,063
Public works	1,257,948	294,611	1,552,559
Human services	456,892	83,181	540,073
Recreation and culture	302,167	665,371	967,538
Intergovernmental	97,339	-	97,339
Employee benefits	955,621	-	955,621
Other	102,711	-	102,711
Debt service	497,228	-	497,228
Total expenditures	<u>15,783,120</u>	<u>2,142,661</u>	<u>17,925,781</u>
Excess (deficiency) of revenues over expenditures	119,672	(1,204,666)	(1,084,994)
Other financing sources (uses):			
Operating transfers in	24,400	-	24,400
Operating transfers out	-	(14,400)	(14,400)
Total other financing sources (uses)	<u>24,400</u>	<u>(14,400)</u>	<u>10,000</u>
Net changes in fund balances	<u>144,072</u>	<u>(1,219,066)</u>	<u>(1,074,994)</u>
Fund balance, beginning of year	<u>2,741,747</u>	<u>1,369,923</u>	<u>4,111,670</u>
Fund balance, end of year	\$ <u>2,885,819</u>	<u>150,857</u>	<u>3,036,676</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, 2019

Total fund balances - governmental funds \$ 3,036,676

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	1,777,374	
Infrastructure assets	7,691,684	
Buildings and building improvements	17,572,457	
Other capital assets	4,725,413	
Accumulated depreciation	<u>(16,248,387)</u>	
Total Capital Assets		18,324,302

Other long-term assets are not available to pay for current
period expenditures and, therefore, are deferred in funds. 634,104

Deferred outflows are not reported in funds. 749,315

Deferred inflows are not reported in funds. (265,515)

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	(1,200,000)	
Capital leases payable	(475,178)	
Accrued interest on bonds (net of accrued state reimbursement)	(11,283)	
Landfill postclosure care costs	(300,000)	
Other post employment benefits	(2,007,787)	
Compensated absences	(183,500)	
Net pension liability	<u>(6,414,504)</u>	
Total long-term liabilities		<u>(10,592,252)</u>

Net position of governmental activities \$ 11,886,630

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, 2019

Net changes in fund balances - governmental funds	\$ (1,074,994)
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.	1,378,577
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.	388,198
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.	(265,381)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	<u>127,666</u>
Changes in net position of governmental activities	\$ <u>554,066</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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance To Final Budget Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 13,082,064	13,082,064	13,018,491	(63,573)
Excise taxes	940,000	940,000	1,008,645	68,645
Payments in lieu of taxes	1,200	1,200	1,295	95
Departmental charges for services	500,000	500,000	545,090	45,090
Licenses and permits	60,000	60,000	81,254	21,254
Intergovernmental	997,030	997,030	1,011,281	14,251
Fines	45,000	45,000	35,191	(9,809)
Investment income	35,000	35,000	65,908	30,908
Other	62,000	62,000	73,411	(11,411)
Total revenues	<u>15,722,294</u>	<u>15,722,294</u>	<u>15,840,566</u>	<u>95,450</u>
Expenditures:				
General government	908,608	913,027	826,884	86,143
Public safety	1,918,599	2,009,637	1,912,461	97,176
Education	9,189,854	9,192,374	9,192,063	311
Public works	1,527,853	1,923,045	1,831,801	91,244
Human services	466,491	466,891	456,308	10,583
Recreation and culture	305,357	360,357	337,653	22,704
Debt service	543,831	543,831	497,227	46,604
Intergovernmental	106,169	106,169	97,339	8,830
Employee benefits	969,932	975,863	945,621	30,242
Insurance	110,000	110,000	102,712	7,288
Total expenditures	<u>16,046,694</u>	<u>16,601,194</u>	<u>16,200,069</u>	<u>401,125</u>
Excess (deficiency) of revenues over expenditures	(324,400)	(878,900)	(359,503)	496,575
Other financing sources (uses):				
Operating transfers in	24,400	24,400	24,400	-
Operating transfers out	-	(171,797)	(171,797)	-
Total other financing sources (uses)	<u>24,400</u>	<u>(147,397)</u>	<u>(147,397)</u>	<u>-</u>
Net changes in fund balances	<u>(300,000)</u>	<u>(1,026,297)</u>	<u>(506,900)</u>	<u>496,575</u>
Fund balance, beginning of year			<u>1,020,187</u>	
Fund balance, end of year			<u><u>513,287</u></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, 2019

(Except for Electric Enterprise which is as of December 31, 2018)

	Water Enterprise	Sewer Enterprise	Electric Enterprise	Total
<u>Assets</u>				
Current assets:				
Cash and cash equivalents - unrestricted	\$ 855,155	1,555,796	2,484,692	4,895,643
Cash and cash equivalents - restricted	-	-	88,904	88,904
Investments	-	-	1,927,395	1,927,395
Receivables (net):				
User charges	67,706	68,425	202,555	338,686
Special Assessments	-	157,836	-	157,836
Unbilled Revenue	370,095	332,022	530,509	1,232,626
Materials and supplies inventory	-	-	67,624	67,624
Prepaid expenses	-	-	299,842	299,842
Other assets	-	-	-	-
Due from Commonwealth	-	229	-	229
Total current assets	1,292,956	2,114,308	5,601,521	9,008,785
Noncurrent assets:				
Due from Commonwealth	-	2,804	-	2,804
Capital assets	8,655,116	13,621,654	11,165,659	33,442,429
Accumulated depreciation	(3,240,372)	(7,698,796)	(5,730,069)	(16,669,237)
Total noncurrent assets	5,414,744	5,925,662	5,435,590	16,775,996
Total assets	\$ 6,707,700	8,039,970	11,037,111	25,784,781
<u>Deferred Outflows of Resources</u>				
Deferred amounts related to pensions	83,285	107,520	326,498	517,303
Deferred amounts related to OPEB	1,419	694	28,638	30,751
Total deferred outflows	84,704	108,214	355,136	548,054
<u>Liabilities</u>				
Current Liabilities:				
Warrants and accounts payable	\$ 38,651	13,063	163,451	215,165
Accrued payroll	9,032	13,586	-	22,618
Accrued interest payable	28,780	4,829	21,047	54,656
Other accrued expenses	-	-	88,904	88,904
Notes payable	-	-	-	-
Accrued compensated absences	2,715	5,807	38,992	47,514
Capital leases payable	3,598	21,358	-	24,956
Bonds payable	198,071	150,000	75,000	423,071
Total current liabilities	280,847	208,643	387,394	876,884
Noncurrent liabilities:				
Accrued compensated absences	-	22,290	43,339	65,629
Other post employment benefits	144,264	70,419	212,664	427,347
Capital leases payable	20,746	123,164	-	143,910
Net pension liability	700,870	996,970	1,850,149	3,547,989
Bonds payable	2,610,281	515,000	600,000	3,725,281
Total noncurrent liabilities	3,476,161	1,727,843	2,706,152	7,910,156
Total liabilities	3,757,008	1,936,486	3,093,546	8,787,040
<u>Deferred Inflows of Resources</u>				
Deferred amounts related to pensions	29,455	38,026	116,154	183,635
Deferred amounts related to OPEB	538	263	200,452	201,253
Total deferred inflows	29,993	38,289	316,606	384,888
<u>Net Position</u>				
Net investment in capital assets	2,676,305	5,113,336	4,760,590	12,550,231
Restricted	-	-	2,817,117	2,817,117
Unrestricted	329,098	1,060,073	404,388	1,793,559
Total net position	\$ 3,005,403	6,173,409	7,982,095	17,160,907

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, 2019****(Except for Electric Enterprise which is as of December 31, 2018)**

	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Electric Enterprise</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 1,262,220	1,098,908	5,054,272	7,415,400
Special assessments	-	20,596	-	20,596
Other operating revenues	<u>100,000</u>	<u>680</u>	<u>10,476</u>	<u>111,156</u>
Total operating revenues	<u>1,362,220</u>	<u>1,120,184</u>	<u>5,064,748</u>	<u>7,547,152</u>
Operating expenditures:				
Energy purchases	-	-	3,645,337	3,645,337
Other operating expenses	748,774	958,231	943,187	2,650,192
Depreciation	<u>250,981</u>	<u>309,731</u>	<u>378,784</u>	<u>939,496</u>
Total operating expenditures	<u>999,755</u>	<u>1,267,962</u>	<u>4,967,308</u>	<u>7,235,025</u>
Operating income	<u>362,465</u>	<u>(147,778)</u>	<u>97,440</u>	<u>312,127</u>
Nonoperating revenues (expenses):				
Interest expense	(73,291)	(31,796)	(31,834)	(136,921)
Other	-	522	121,579	122,101
Investment income (loss)	<u>1,955</u>	<u>11,592</u>	<u>(107,057)</u>	<u>(93,510)</u>
Total nonoperating revenues (expenses)	<u>(71,336)</u>	<u>(19,682)</u>	<u>(17,312)</u>	<u>(108,330)</u>
Income before transfers	291,129	(167,460)	80,128	203,797
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>(16,243)</u>	<u>(16,243)</u>
Changes in net position	291,129	(167,460)	63,885	187,554
Net position, beginning of year, restated	<u>2,714,274</u>	<u>6,340,869</u>	<u>7,918,210</u>	<u>16,973,353</u>
Net position, end of year	<u>\$ 3,005,403</u>	<u>6,173,409</u>	<u>7,982,095</u>	<u>17,160,907</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, 2019

(Except for Electric Enterprise which is as of December 31, 2018)

	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Electric Enterprise</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	\$ 1,264,253	1,127,252	5,021,293	7,412,798
Other operating cash receipts	100,000	-	-	100,000
Cash paid to suppliers	(366,432)	(359,703)	(4,021,846)	(4,747,981)
Cash paid to employees	(398,741)	(530,604)	(555,580)	(1,484,925)
Operating transfers	-	-	(16,243)	(16,243)
Net cash provided by operating activities	<u>599,080</u>	<u>236,945</u>	<u>427,624</u>	<u>1,263,649</u>
Cash flows from capital and related financing activities:				
Capital expenditures and contributions	(365,120)	(58,728)	(103,583)	(527,431)
Capital projects receipts from Commonwealth	-	-	-	-
Interest paid, net of subsidy	(58,620)	(32,314)	(29,602)	(120,536)
Net borrowing (repayments), net of subsidy	(162,610)	(170,805)	(75,000)	(408,415)
Net cash provided by capital and related financing activities:	<u>(586,350)</u>	<u>(261,847)</u>	<u>(208,185)</u>	<u>(1,056,382)</u>
Cash flows from investing activities:				
(Purchases) sales of investments (net)	-	-	(14,676)	(14,676)
Investment income (loss)	1,955	11,592	(107,057)	(93,510)
Net cash provided by capital and related financing activities:	<u>1,955</u>	<u>11,592</u>	<u>(121,733)</u>	<u>(108,186)</u>
Net increase in cash and cash equivalents	14,685	(13,310)	97,706	99,081
Cash and cash equivalents, beginning of year	<u>840,470</u>	<u>1,569,106</u>	<u>2,475,890</u>	<u>4,885,466</u>
Cash and cash equivalents, end of year	<u>\$ 855,155</u>	<u>1,555,796</u>	<u>2,573,596</u>	<u>4,984,547</u>
Reconciliation of operating income to net cash provided				
By operating activities:				
Operating income (loss)	\$ 362,465	(147,778)	97,440	312,127
Depreciation	250,981	309,731	378,784	939,496
Payment in lieu of taxes and transfers	-	-	(16,243)	(16,243)
(Increase) decrease in accounts receivable & unbilled	2,033	7,068	(46,565)	(37,464)
(Increase) decrease in other assets	-	-	171,149	171,149
Increase (decrease) in accounts payable	13,869	(2,715)	(161,854)	(150,700)
Increase (decrease) in accrued payroll	(1,398)	1,212	-	(186)
Increase (decrease) in other liabilities	(28,870)	69,427	4,913	45,470
Net cash provided by operating activities	<u>\$ 599,080</u>	<u>236,945</u>	<u>427,624</u>	<u>1,263,649</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, 2019

	<u>OPEB Trust Fund</u>	<u>Agency</u>	<u>Total</u>
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	7,904	149,098	157,002
Investments	<u>\$ 1,593,763</u>	<u>-</u>	<u>1,593,763</u>
 Total assets	 <u>1,601,667</u>	 <u>149,098</u>	 <u>1,750,765</u>
 <u>Liabilities</u>			
Current Liabilities:			
Other Liabilities	<u>\$ -</u>	<u>149,098</u>	<u>149,098</u>
 Total liabilities	 <u>-</u>	 <u>149,098</u>	 <u>149,098</u>
 <u>Net Position</u>			
Held in trust for retiree insurance benefits	<u>1,601,667</u>	<u>-</u>	<u>1,601,667</u>
 Total net position	 <u><u>\$ 1,601,667</u></u>	 <u><u>-</u></u>	 <u><u>1,601,667</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, 2019

	<u>OPEB Trust Fund</u>
<u>Additions</u>	
Contributions:	
Employer	\$ <u>257,682</u>
Total contributions	<u>257,682</u>
Investment income:	
Interest	<u>82,253</u>
Total investment income	<u>82,253</u>
Total additions	<u>339,935</u>
<u>Deductions</u>	
Benefits	<u>126,682</u>
Total deductions	<u>126,682</u>
Change in net position held in trust for retiree insurance benefits	213,253
Net position - beginning of year	<u>1,388,414</u>
Net position - end of year	\$ <u><u>1,601,667</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, 2019

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 2019 was \$8,061,541, 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 2019 was \$991,730, which represents approximately 15.0% 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, 2019 (except for the Electric Enterprise Fund which is as of and for the year ended December 31, 2018). 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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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

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

j. Fund Balances - Governmental Funds (continued)

Town management. Assigned fund balance includes general fund encumbrances and article carry forwards of \$1,033,131 and accepted gifts and donations of \$83,859.

Unassigned fund balance in the general fund includes \$1,289,195 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, 2019

Note 2. Budgetary Information (continued)

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

Expenditures and transfers out	<u>\$16,772,991</u>
To be funded as follows:	
Budgeted revenue	\$15,722,294
Transfers from other funds	24,400
Allocation of surplus	<u>1,026,297</u>
Total funding (resources)	<u>\$16,772,991</u>

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

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

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the general fund for the year ended June 30, 2019:

Net changes in fund balances - Budgetary Basis	(\$506,900)
Adjustments:	
Record Revenues on a Modified Accrual Basis	\$11,807
Stabilization Fund Interest and Transfers	\$222,216
Adjustment for Encumbrances and Continuing Articles	<u>\$416,949</u>
Net changes in fund balances - GAAP Basis	<u>\$144,072</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, 2018.

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, 2019, the Town's carrying amount of deposits

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2019

Note 3. Deposits and Investments

was \$9,100,023 and the bank balance was \$9,148,335. Only \$6,897,454 of the bank balance was covered by Federal Deposit Insurance Corporation or other state insurance. The remaining \$2,250,880 was neither insured nor collateralized.

Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that disclosures related to these investments only need to be disaggregated by major type. The Town chooses a narrative format for the fair value disclosures. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs use to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At June 30, 2019, 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, 2019, 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	\$295,094
Other fixed income securities	<u>543,524</u>
Total Debt Securities	\$838,618
 <u>Other Investments</u>	
Equities	458,383
Mutual funds	4,286,406
Money market mutual funds (cash equivalents)	34,464
MMDT – cash portfolio (cash equivalents)	<u>1,189,488</u>
Total investments	<u>\$6,807,359</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, 2019

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	\$295,094	72,997	70,021	152,076	-
Other fixed income securities	<u>543,524</u>	<u>281,111</u>	<u>141,646</u>	<u>46,882</u>	<u>73,865</u>
Total	<u>\$838,618</u>	<u>354,108</u>	<u>211,667</u>	<u>198,958</u>	<u>73,865</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	\$295,094	295,094	-	-
Other fixed income securities	<u>543,524</u>	<u>178,508</u>	<u>100,167</u>	<u>264,849</u>
Total	<u>\$838,618</u>	<u>473,602</u>	<u>100,167</u>	<u>264,849</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, 2019, 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	\$224,834	(25,657)	199,177
Tax liens	237,706	-	237,706
Excise taxes	136,064	-	136,064
Departmental	<u>106,671</u>	<u>-</u>	<u>106,671</u>
	<u>705,275</u>	<u>(25,657)</u>	<u>679,618</u>
Business-type activities:			
Water user charges	67,706	-	67,706
Sewer user charges	226,261	-	226,261
Electric user charges	<u>733,064</u>	<u>(13,586)</u>	<u>719,478</u>
	<u>\$1,027,031</u>	<u>(13,586)</u>	<u>1,013,445</u>

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2019

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2019 (electric enterprise fund as of December 31, 2018) 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	62,841	1,746,516	31,983	1,777,374
Total capital assets not being depreciated	2,868,602	1,746,516	31,983	4,583,135
Capital assets being depreciated:				
Buildings and improvements	18,934,223	30,000	-	18,964,223
Equipment	3,384,774	86,873	138,000	3,333,647
Infrastructure	7,330,496	361,198	=	7,691,684
Total capital assets being depreciated	29,649,483	478,071	138,000	29,989,554
Less accumulated depreciation for:				
Buildings and improvements	(8,918,883)	(486,739)	-	(9,405,622)
Equipment	(2,296,249)	(245,801)	(138,000)	(2,404,050)
Infrastructure	(4,357,228)	(81,487)	=	(4,438,715)
Total accumulated depreciation	(15,572,360)	(814,027)	(138,000)	(16,248,387)
Capital assets being depreciated, net	14,077,123	(335,956)	=	13,741,167
Total governmental activities capital assets, net	\$16,945,725	1,410,560	31,983	18,324,302
Depreciation expense was charged to functions as follows:		<u>Governmental Activities</u>		
General government		\$140,766		
Public safety		180,969		
Education		216,607		
Public works		145,522		
Human services		34,721		
Recreation and culture		95,442		
Total governmental activities depreciation expense		\$814,027		
	<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	7,297	32,968	=	40,265
Total capital assets not being depreciated	359,927	32,968	=	392,895
Capital assets being depreciated:				
Improvements other than buildings	4,139,963	99,640	-	4,239,603
Buildings and improvements	884,052	-	-	884,052
Equipment	2,042,469	68,362	144,768	1,966,063
Infrastructure	25,367,007	458,633	10,594	25,815,046
Total capital assets being depreciated	32,433,491	626,635	155,362	32,904,764
Less accumulated depreciation for:				
Improvements other than buildings	(474,565)	(193,402)	-	(667,967)
Buildings and improvements	(371,901)	(26,018)	-	(397,919)
Equipment	(1,189,088)	(96,934)	(144,768)	(1,141,254)
Infrastructure	(13,694,189)	(623,138)	=	(14,317,327)
Total accumulated depreciation	(15,729,743)	(939,492)	(144,768)	(16,524,467)
Capital assets being depreciated, net	16,703,748	(312,857)	10,594	16,380,297
Total governmental activities capital assets, net	\$17,063,675	(279,889)	10,594	16,773,192

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2019

Note 5. Capital Assets (continued)

	<u>Business-type Activities</u>
Depreciation expense was charged to functions as follows:	
Water	\$ 250,981
Sewer	309,731
Electric	<u>378,780</u>
Total business-type activities depreciation expense	<u>\$ 939,492</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, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Type:				
Bond anticipation notes – various projects	<u>\$100,000</u>	<u>3,100,000</u>	<u>100,000</u>	<u>3,100,000</u>
Business Type:				
Bond anticipation notes – water project	<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, 2019 (with electric light business-type activities presented for year-end December 31, 2018):

	<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	134,655	48,845	-	183,500	32,230
Landfill post closure costs	315,000	-	15,000	300,000	15,000
Other post employment benefits	1,960,208	47,579	-	2,007,787	-
Capital leases payable	536,437	-	61,259	475,178	70,222
Net pension liability	5,931,576	482,928	-	6,414,504	-
Bonds payable	<u>1,525,000</u>	-	<u>325,000</u>	<u>1,200,000</u>	<u>320,000</u>
	<u>10,402,876</u>	<u>579,352</u>	<u>401,259</u>	<u>10,580,969</u>	<u>437,452</u>
Business-type activities:					
Compensated absences	118,997	-	5,854	113,143	47,514
Other post employment benefits	637,080	-	209,733	427,347	-
Capital leases payable	190,635	-	21,769	168,866	24,956
Net pension liability	3,451,200	96,789	-	3,547,989	-
Bonds payable	<u>2,939,668</u>	<u>1,600,000</u>	<u>391,316</u>	<u>4,148,352</u>	<u>423,071</u>
	<u>7,337,580</u>	<u>1,696,789</u>	<u>628,672</u>	<u>8,405,697</u>	<u>495,541</u>

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2019

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, 2018</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2019</u>
Town Hall Refunded	09/01/22	2.0%-3.0%	670,000	-	140,000	530,000
Library Refunded	09/01/23	2.0%-3.0%	665,000	-	115,000	550,000
General Refunded	12/15/19	3.0%-4.75%	110,000	-	55,000	55,000
Land Acquisition	09/01/23	2.0%-3.0%	<u>80,000</u>	=	<u>15,000</u>	<u>65,000</u>
Totals			<u>\$1,525,000</u>	=	<u>325,000</u>	<u>\$1,200,000</u>

The outstanding business-type activities bonds are presented below.

<u>Project</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding July 1, 2018</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2019</u>
Sewer MWPAT	08/01/19	2.36%	20,000	-	10,000	10,000
Sewer Refunded	09/01/22	2.0%-3.0%	25,000	-	5,000	20,000
Sewer Treatment	11/15/23	2.0%-5.0%	500,000	-	85,000	415,000
Sewer	11/15/23	2.0%-5.0%	15,000	-	2,500	12,500
Sewer	11/15/23	2.0%-5.0%	15,000	-	2,500	12,500
Sewer Mains	08/23/20	3.5%-4.25%	30,000	-	10,000	20,000
Sewer	09/01/23	2.0%-3.0%	215,000	-	40,000	175,000
Water - Refunded	12/15/19	3.0%-4.75%	40,000	-	20,000	20,000
Water	09/01/21	2.0%-3.0%	120,000	-	30,000	90,000
Water Engineering	09/01/23	2.0%-3.0%	85,000	-	15,000	70,000
Water Pump Station	09/01/23	2.0%-3.0%	60,000	-	10,000	50,000
Water Treatment	09/01/23	2.0%-3.0%	150,000	-	25,000	125,000
Water	09/01/23	2.0%-3.0%	125,000	-	25,000	100,000
Mass CWT	01/15/36	2.0%	789,668	-	36,316	753,352
Mass CWT	09/12/18	2.4%	-	1,600,000	-	1,600,000
Electric	12/15/27	3.0%-4.0%	<u>750,000</u>	=	<u>75,000</u>	<u>675,000</u>
Totals			<u>2,939,668</u>	<u>1,600,000</u>	<u>391,316</u>	<u>4,148,352</u>

The annual debt service requirements of the Town's outstanding indebtedness at June 30, 2019 (December 31, 2018 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>
2020	\$320,000	30,065	423,071	112,123	743,071	142,188
2021	260,000	21,850	394,806	98,923	654,806	120,773
2022	255,000	14,775	386,583	86,385	641,583	101,160
2023	250,000	7,200	348,403	74,204	598,403	81,404
2024	115,000	1,725	325,265	62,927	440,265	64,652
2025 – 2029	-	-	730,873	228,147	730,873	228,147
2030 – 2034	-	-	484,612	154,080	484,612	154,080
2035 – 2039	-	-	381,164	100,943	381,164	100,943
2040 – 2044	-	-	315,345	62,294	315,345	62,294
2045 – 2049	=	=	<u>358,230</u>	<u>21,932</u>	<u>358,230</u>	<u>21,932</u>
Totals	<u>\$1,200,000</u>	<u>75,615</u>	<u>4,148,352</u>	<u>1,001,958</u>	<u>5,348,352</u>	<u>1,077,573</u>

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2019

Note 8. Bonds and Capital Leases Payable (continued)

Of the total business-type activities debt service requirements of \$5,150,310, the Town is scheduled to receive \$3,079 as reimbursement from the Commonwealth of Massachusetts Water Pollution Abatement Trust. Of this reimbursement amount, \$2,804 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, 2019, the Town may issue approximately \$32,235,710 of additional general obligation debt under the normal debt limit. The Town has \$3,588,352 of issued debt exempt from the debt limit. At June 30, 2019, the Town has \$8,390,000 of authorized and unissued debt for various projects.

In addition to the Town's outstanding debt, the Town is assessed its share of debt from other governmental entities (known as overlapping debt). For the Pentucket Regional School District, the Town's share of the Regional School's \$14,611,339 debt at June 30, 2019 (based on current assessment percentages) is 12.8% or \$1,870,251.

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, 2019, the balance of this loan was \$644,043. The interest rate is fixed at 2.65%. The annual payments required under this capital lease at June 30, 2019 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>
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	84,701	4,033	30,101	1,433	114,802	5,467
2025 – 2029	88,545	1,763	31,467	626	120,012	2,389
2030 – 2034	=	=	=	=	=	=
Totals	<u>\$475,178</u>	<u>42,647</u>	<u>168,865</u>	<u>15,156</u>	<u>644,043</u>	<u>57,803</u>

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2019

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	\$ -	361,117	361,117
Restricted:			
Permanent fund spendable amounts	-	114,711	114,711
Cable TV	-	431,427	431,427
Inspections	-	228,968	228,968
Affordable housing	-	120,443	120,443
Other purposes – special revenue	-	330,651	330,651
Other purposes – capital projects	-	-	-
Assigned:			
Gifts and donations	-	83,859	83,859
General government encumbrances	137,716	-	137,716
Public works encumbrances	775,210	-	775,210
Other general fund encumbrances	120,205	-	120,205
Unassigned:			
Capital projects deficit	-	(1,520,319)	(1,520,319)
Stabilization funds	1,289,195	-	1,289,195
General fund residual balance	<u>563,493</u>	-	<u>563,493</u>
Total governmental fund balances	<u>\$2,885,819</u>	<u>150,857</u>	<u>3,036,676</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, 2019, the general fund received \$10,000 from the electric enterprise fund in lieu of taxes, \$4,400 from the cemetery lots and graves fund and \$10,000 from the open space fund. The general fund transferred \$95,000 to the capital stabilization fund, \$25,000 to the ambulance stabilization fund and \$51,797 to the general stabilization fund (these appears only in the budgetary statement transfers, as the stabilization funds are now included in the general fund based on the requirements of GASB 54). The net transfer amount of \$6,243 is due to the presentation of the electric light enterprise fund as of December 31, 2018.

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, 2019

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, 2019 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, 2018. For information on the electric enterprise fund as of December 31, 2018, see separately issued financial statements.]

At June 30, 2019, the Town has a liability of \$9,969,699 for its proportionate share of the net pension liability. The net pension liability was measured at December 31, 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 forward to December 31, 2018. 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, 2018, the Town's proportion was 2.3599%.

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2019

Note 11. Pension Plans (continued)

For the year ended June 30, 2019, the Town recognized pension expense of \$1,097,724. At June 30, 2019, the Town reported the following deferrals related to pensions: deferred outflows of 1) \$528,551 for changes in assumptions, 2) \$512,779 for the net difference between projected and actual investment earnings, and 3) \$96,444 for the change in allocated proportion, and deferred inflows of 1) \$86,471 for the difference between expected and actual experience and 2) \$315,923 for changes in employer proportion. Total net deferred outflows and inflows of \$735,380 (net outflows) will be recognized in pension expense as follows:

Fiscal year ended June 30:	
2019	\$295,056
2020	\$182,055
2021	\$108,360
2022	<u>\$149,909</u>
Total	<u>\$735,380</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	21.00%	6.16%
International developed equities	13.00%	6.69%
International emerging equities	5.00%	9.47%
Core fixed income	15.00%	1.89%
High-yield fixed income	8.00%	4.00%
Real estate	10.00%	4.58%
Commodities	4.00%	4.77%
Private equity	11.00%	10.00%
Hedge funds/Other	<u>13.00%</u>	3.68%
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, 2019

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>
\$12,325,662	\$9,969,699	\$7,587,578

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, 2019

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, 2018. For information on the electric enterprise fund as of December 31, 2018, see separately issued financial statements.]

OPEB Plan disclosures that impact the Town's net OPEB liability using an actuarial study as of July 1, 2017 and a measurement and reporting date of June 30, 2019 are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2019:

Active employees	51
Inactive employees	29
Total	80

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, 2019, the Town's average contribution rate was approximately 8.45% of covered-employee payroll.

Net OPEB Liability – The Town's net OPEB liability was measured as of June 30, 2019 using an actuarial valuation as of July 1, 2017. The components of the net OPEB liability of the Town at June 30, 2019 were as follows:

Total OPEB Liability	\$ 3,991,046
Plan fiduciary net position	(1,601,667)
Net OPEB liability	\$ 2,389,379
Plan fiduciary net position as a percentage of the total OPEB liability	40.13%

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, 2019

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	2.79% as of June 30, 2019
Discount Rate	6.5%, net of OPEB plan investment expense including inflation.
Inflation	2.75% annually as of June 30, 2019 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, 2019

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	\$ 3,025,492	\$ 2,389,379	\$ 1,829,976
Service Cost	157,705	122,084	92,027

	Health Care Rate		
	1% Decrease (4%)	Current (5%)	1% Increase (6%)
Net OPEB Liability	\$ 1,312,785	\$ 2,359,718	\$ 3,756,127
Service Cost	75,181	122,084	185,588

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2019:

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2019

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, 2018	\$ 3,748,132	\$ 1,388,414	\$ 2,359,718
Changes for the year:			
Service cost	122,084	-	122,084
Interest	247,512	-	247,512
Difference between expected and actual experience	-	-	-
Net investment income	-	82,253	(82,253)
Employer contributions	-	257,682	(257,682)
Benefit payments withdrawn from trust	-	(126,682)	126,682
Benefit payments, implicit cost	(10,039)	-	(10,039)
Benefit payments, excluding implicit cost	(116,643)	-	(116,643)
Net changes	242,914	213,253	29,661
Balances at June 30, 2019	\$ 3,991,046	\$ 1,601,667	\$ 2,389,379

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the Town recognized OPEB expense of \$282,087. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2019 were reported as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual investment earnings	\$ -	\$ 23,533
Differences between expected and actual experience	8,925	-
	\$ 8,925	\$ 23,533

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	
2020	\$ 4,751
2021	\$ 4,751
2022	\$ 4,753
2023	\$ 353
	\$ 14,608

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2019

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 \$300,000 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 - Electric Enterprise Fund Only

For the electric enterprise fund and business-type activities, the Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2019. 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 adopting GASB Statement No. 75 was to eliminate the net OPEB obligation and record the net OPEB liability at December 31, 2018.

The impact on the electric enterprise fund is illustrated in the table below:

Net position at December 31, 2017, as reported	\$	7,940,646
Eliminate previously recorded OPEB amounts		384,078
Record revised OPEB amounts		<u>(406,514)</u>
Net position at December 31, 2017, as restated	\$	<u>7,918,210</u>

The above change also reduced beginning net position for business-type activities from \$16,995,789 to \$16,973,353.

Town of Merrimac, Massachusetts
Notes to the Financial Statements
June 30, 2019

Note 17. Implementation of new GASB Statements

During fiscal year 2019, the Town implemented the following GASB pronouncements:

- GASB Statement #83 – *Certain Asset Retirement Obligations*, which was required to be implemented in fiscal year 2019. The Town has successfully implemented this statement in its financial statements.
- GASB Statement #88 – *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, which was required to be implemented in fiscal year 2019. The Town has successfully implemented this statement in its financial statements.

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

- GASB Statement #84 – *Fiduciary Activities*, which is required to be implemented in fiscal year 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 #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.
- GASB Statement #91 – *Conduit Debt Obligations*, which is required to be implemented in fiscal year 2022. The Town is currently evaluating the possible impact of this will have on its financial statements.

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

Town of Merrimac, Massachusetts
Required Supplementary Information
Fiscal Year Ended June 30, 2019

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	<u>2.360%</u>	<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>\$9,969,699</u>	<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>\$3,200,358</u>	<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>311.5%</u>	<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>51.89%</u>	<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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	<u>\$834,826</u>	<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>(834,826)</u>	<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>	<u>-</u>
Town's covered-employee payroll	<u>\$3,200,358</u>	<u>\$3,079,919</u>	<u>\$3,066,691</u>	<u>\$3,066,196</u>	<u>\$2,947,906</u>
Contributions as a % of covered-employee payroll	<u>26.1%</u>	<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>2019</u>	<u>2018</u>	<u>2017</u>
<u>Total OPEB Liability (GASB 74)</u>			
Service cost	\$122,084	\$116,018	\$108,937
Interest on total OPEB liability	\$247,512	\$232,873	\$223,803
Changes in benefit terms	\$0	\$0	\$0
Difference between expected and actual plan experience	\$0	(\$13,775)	(\$39,114)
Changes in assumptions	\$0	\$0	\$0
Benefit payments, including refunds of member contributions	(\$126,682)	(\$105,602)	(\$214,993)
Net change in total OPEB liability	\$242,914	\$229,514	\$78,633
Total OPEB liability - beginning of year	\$3,748,132	\$3,518,618	\$3,439,985
Total OPEB liability - end of year	\$3,991,046	\$3,748,132	\$3,518,618
<u>Plan Fiduciary Net Position (GASB 74)</u>			
Earnings from plan investments	\$82,253	\$51,876	\$67,393
Net investment income (loss)	\$82,253	\$51,876	\$67,393
Employer contributions	\$257,682	\$326,359	\$510,564
Benefit payments	(\$126,682)	(\$105,602)	(\$214,993)
Administrative expense	\$0	\$0	\$0
Net change in fiduciary plan net position	\$213,253	\$272,633	\$362,964
Plan fiduciary net position - beginning of year	\$1,388,414	\$1,115,781	\$752,817
Plan fiduciary net position - end of year	\$1,601,667	\$1,388,414	\$1,115,781
Net OPEB liability	\$2,389,379	\$2,359,718	\$2,402,837

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

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

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

Town of Merrimac, Massachusetts
Required Supplementary Information

SCHEDULE OF CONTRIBUTIONS

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

SCHEDULE OF INVESTMENT RETURNS

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

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

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

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

Town of Merrimac, Massachusetts
Notes to the Required Supplementary Information
June 30, 2019

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, 2019

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, 2019

	<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	\$ (32,039)	1,143,573	2,037,155	85,713	3,234,402
Investments	-	-	-	430,787	430,787
Receivables:					
Departmental	-	4,691	-	-	4,691
Due from other governments	107,681	-	-	-	107,681
 Total assets	 \$ 75,642	 1,148,264	 2,037,155	 516,500	 3,777,561
 <u>Liabilities</u>					
Warrants and accounts payable	\$ 28,677	20,008	457,474	10,672	516,831
Accrued Payroll	1,121	4,061	-	-	5,182
Notes payable	-	-	3,100,000	-	3,100,000
 Total liabilities	 29,798	 24,069	 3,557,474	 10,672	 3,622,013
 <u>Deferred Inflows of Resources</u>					
Unavailable revenue	-	4,691	-	-	4,691
 <u>Fund balances</u>					
Nonspendable	-	-	-	361,117	361,117
Restricted	45,844	1,035,645	-	144,711	1,226,200
Assigned	-	83,859	-	-	83,859
Unassigned	-	-	(1,520,319)	-	(1,520,319)
 Total fund balances	 45,844	 1,119,504	 (1,520,319)	 505,828	 150,857
 Total liabilities, deferred inflows of resources and fund balances	 \$ 75,642	 1,148,264	 2,037,155	 516,500	 3,777,561

TOWN OF MERRIMAC, MASSACHUSETTS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2019

	<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	\$ -	197,353	-	7,200	204,553
Intergovernmental	417,597	6,913	-	-	424,510
Investment income	1	25	-	31,001	31,027
Other	-	277,905	-	-	277,905
Total revenues	<u>417,598</u>	<u>482,196</u>	<u>-</u>	<u>38,201</u>	<u>937,995</u>
Expenditures:					
Current:					
General government	10,646	132,247	72,743	-	215,636
Public safety	42,931	88,623	752,308	-	883,862
Public works	289,479	-	-	5,132	294,611
Human services	29,784	53,397	-	-	83,181
Recreation and culture	24,836	24,456	616,079	-	665,371
Total expenditures	<u>397,676</u>	<u>298,723</u>	<u>1,441,130</u>	<u>5,132</u>	<u>2,142,661</u>
Excess (deficiency) of revenues over expenditures	19,922	183,473	(1,441,130)	33,069	(1,204,666)
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	(14,400)	-	-	(14,400)
Total other financing sources (uses)	<u>-</u>	<u>(14,400)</u>	<u>-</u>	<u>-</u>	<u>(14,400)</u>
Net changes in fund balances	<u>19,922</u>	<u>169,073</u>	<u>(1,441,130)</u>	<u>33,069</u>	<u>(1,219,066)</u>
Fund balance, beginning of year	<u>25,922</u>	<u>950,431</u>	<u>(79,189)</u>	<u>472,759</u>	<u>1,369,923</u>
Fund balance, end of year	\$ <u><u>45,844</u></u>	<u><u>1,119,504</u></u>	<u><u>(1,520,319)</u></u>	<u><u>505,828</u></u>	<u><u>150,857</u></u>