



Bill Fraher, CPA

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Financial Statements
and Required Supplementary Information

For the Year Ended December 31, 2017

(With Independent Auditor's Report Thereon)

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT
Financial Statements and Required Supplementary Information

Years Ended December 31, 2017
Table of Contents

	<u>Page</u>
Reports Based on an Audit of Financial Statements in Accordance with Government Auditing Standards:	
Independent Auditor's Report	1 - 2
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3 - 4
Management's Discussion and Analysis (Required Supplementary Information)	5 - 7
Financial Statements:	
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Statement of Net Position - Fiduciary Funds	11
Statement of Changes in Fund Net Position – Fiduciary Funds	12
Notes to the Financial Statements	13
Required Supplementary Information:	
Schedule of Proportionate Share of Net Pension Liability	26
Schedule of Contributions of Net Pension Liability	26
Schedule of Changes in Total OPEB Liability	27
Schedule of Changes in OPEB Plan Fiduciary Net Position	27
Schedule of Net OPEB Liability	28
Schedule of OPEB Contributions	28
Schedule of OPEB Investment Returns	28



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 Board of Light Commissioners
Rowley Municipal Light Plant
Town of Rowley, Massachusetts

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities and the remaining fund information of the Rowley Municipal Light Plant (the Plant), an enterprise fund of the Town of Rowley, Massachusetts, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Plant'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 an opinion on these financial statements based on my audit. 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 Plant'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 Plant's internal control. Accordingly, we 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.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the remaining fund information of the Rowley Municipal Light Plant of the Town of Rowley, Massachusetts, as of December 31, 2017, and the changes in financial position and, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 1, the financial statements present only the Rowley Municipal Light Plant and do not purport to, and do not, present fairly the financial position of the Town of Rowley, Massachusetts as of December 31, 2017, and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

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 7 and the pension and OPEB schedules on pages 26 to 28 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* I have also issued my report dated June 6, 2018 on my consideration of the Rowley Municipal Light Plant's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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* in considering the Rowley Municipal Light Plant's internal control over financial reporting and compliance.



Bill Fraher, CPA
June 6, 2018



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 Board of Light Commissioners
Rowley Municipal Light Plant
Town of Rowley, 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 business-type activities and the remaining fund information of the Rowley Municipal Light Plant (the Plant), an enterprise fund of the Town of Rowley, Massachusetts, as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued my report thereon dated June 6, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Plant'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 Rowley Municipal Light Plant's internal control. Accordingly, I do not express an opinion on the effectiveness of the Rowley Municipal Light Plant'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 Plant'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 charges 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 Rowley Municipal Light Plant'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 herein under Government Auditing Standards.

I noted certain matters that I reported to management and Board of the Rowley Municipal Light Plant in a separate letter dated June 6, 2018.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plant's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plant's internal control and compliance. Accordingly, this communication is not suitable for any other purpose



Bill Fraher, CPA
June 6, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the financial statements, the management of the Rowley Municipal Light Plant (the Plant) provides a narrative discussion of the amounts that appear in the Plant's financial statements. This discussion is provided to present an overview of the Plant's year end financial position for December 31, 2017 and the results of operations for the year then ended.

Overview of the Financial Statements

The Plant's basic financial statements include two fund types, a proprietary fund type for all Plant activity except for the Other Post-Employment Benefits (OPEB) trust fund, which is considered a fiduciary fund type. For both fund types, the financial statements are reported using the economic resources measurement focus and 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. The proprietary fund includes a Statement of Net Position, Statement of Revenues, Expense and Changes in Net Position and Statement of Cash Flows. The fiduciary fund type presents a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Notes follow these financial statements to present additional information on some of the amounts in the financial statements. Financial highlights from these statements are presented below.

- The Statement of Net Position is designated to indicate our financial position as of a specific point in time. At December 31, 2017, our net position is \$9,061,354, which is an increase of \$225,092 (2.5%) from the prior year amount of \$8,836,262. Of the total net position at December 31, 2017, \$4.749 million is the net investment in capital assets (compared to \$4.730 last year) and \$4.312 million is unrestricted (compared to \$4.107 last year).
- The Statement of Revenues, Expenses and Changes in Net Position shows our operating results and reveals how much, if any, profit was made for the year. This statement shows a total increase in net position of \$225,092 for the year ended December 31, 2017, compared with a decrease of \$129,851 for the year ended December 31, 2016. This change was due primarily to an increase in the fuel charge and an increase in KWH sales which was mostly weather related.
- The Statement of Cash Flows provides information about the cash receipts and cash payments during the year. A review of our Statement of Cash Flows indicates that cash receipts from operating activities mostly covered our operating expenses for the year.
- The Department continues to accrue its Other Post-Employment Benefits (OPEB) liability and Net Pension Liability. The GASB 45 OPEB liability in the financial statements at December 31, 2017 is \$551,295. The total unfunded actuarial liability as of the most recent actuarial valuation (July 1, 2016) is \$1,021,040. The Department has funded this liability with \$100,000 in contribution to the OPEB trust in 2016 and 2017. The Department also implemented GASB 74 for its OPEB trust for the 2017 statements. At December 31, 2017, this shows a total OPEB liability of \$1,275,882, plan assets of \$231,131 and a net OPEB liability of \$1,044,751.
- The total Net Pension Liability (NPL) in the financial statements is \$2,232,711 with pension related deferred outflows of \$267,514 and deferred inflows of \$40,208. The NPL is being amortized through increased assessments from the Essex Regional Retirement System with a target date of 2035 for full liability amortization.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary financial information for the proprietary fund type is presented below.

Summary of Statement of Net Position

	<u>2017</u>	<u>2016</u>
Current Assets	\$7,648,361	\$7,216,082
Noncurrent Assets	<u>4,748,708</u>	<u>4,729,508</u>
Total Assets	<u>12,397,069</u>	<u>11,945,590</u>
Deferred Inflows	<u>267,514</u>	<u>267,514</u>
Current Liabilities	779,015	590,907
Noncurrent Liabilities	<u>2,784,006</u>	<u>2,745,727</u>
Total Liabilities	<u>3,563,021</u>	<u>3,336,634</u>
Deferred Inflows	<u>40,208</u>	<u>40,208</u>
Net Position:		
Net Investment in Capital Assets	4,748,708	4,729,508
Unrestricted	<u>4,312,646</u>	<u>4,106,754</u>
Total Net Position	<u>\$9,061,354</u>	<u>\$8,836,262</u>

The major change to the Statement of Net Position between December 31, 2016 and 2017 was the changes in the net pension liability and related deferred inflows and outflows.

Summary of Statement of Changes in Net Position

	<u>2017</u>	<u>2016</u>
Operating Revenues	\$7,119,418	\$6,253,934
Operating Expenses	<u>6,884,537</u>	<u>6,379,248</u>
Operating Income	234,881	(125,314)
Nonoperating Revenues (Expenses)	<u>(9,789)</u>	<u>(4,537)</u>
Changes in Net Position	225,092	(129,851)
Net Position – Beginning of Year	<u>8,836,262</u>	<u>8,966,113</u>
Net Position – End of Year	<u>\$9,061,354</u>	<u>\$8,836,262</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Highlights

Customer sales (which make up most of the Plant's operating revenues) increased moderately from 2016 to 2017, totaling \$6,190,740 for 2016 and \$6,841,208 for 2017, an increase of 10.5%. This change is mainly due to an increase in the fuel charge and weather-related demand.

Operating expenses increased from \$6,379,248 in 2016 to \$6,884,537 in 2017, an increase of 7.9%. Most of this increase is due to increased power costs due to demand and an increase in the forward capacity market.

Capital Assets & Debt Administration

Total net capital assets were \$4,729,508 at December 31, 2016 and \$4,748,708 at December 31, 2017, an increase of 0.4%. Capital assets include land, buildings, structures and improvements, equipment and furnishings and infrastructure. There were no major additions during the year and, therefore, capital additions were only slightly more than depreciation for the year.

The Plant has no outstanding debt at December 31, 2017 nor was any debt outstanding during the year.

Fiduciary Fund

The Plant established an OPEB trust fund in 2015. This showed a contribution from the Plant of \$100,000 in 2017 and a total balance at December 31, 2017 of \$231,131.

Requests for Information

This financial report is designed to provide a general overview of the Rowley Municipal Light Plant's finances for all those interested in the Plant's financial operations. Questions concerning any of the information in this report or requests for additional financial information should be addressed to:

Manager
Rowley Municipal Light Plant
Rowley, MA 01969

Rowley Municipal Light Plant
Business-Type Activities Proprietary Fund
Statement of Net Position
December 31, 2017

Assets

Current assets:

Cash and cash equivalents - unrestricted	\$ 3,210,558
Cash and cash equivalents - restricted	110,836
Investments - unrestricted	2,129,784
Accounts receivable, net	376,680
Unbilled revenue	482,450
Inventory	79,048
Prepaid expenses	<u>1,259,005</u>

Total current assets 7,648,361

Noncurrent assets:

Capital assets, net	<u>4,748,708</u>
---------------------	------------------

Total noncurrent assets 4,748,708

Total assets \$ 12,397,069

Deferred Outflows of Resources

Deferred amounts related to pensions	<u>267,514</u>
--------------------------------------	----------------

Total deferred outflows 267,514

Liabilities

Current Liabilities:

Accounts payable	\$ 557,727
Customer deposits	110,836
Accrued employee benefits	<u>110,452</u>

Total current liabilities 779,015

Noncurrent liabilities:

Other post-employment benefits	551,295
Net pension liability	<u>2,232,711</u>

Total noncurrent liabilities 2,784,006

Total liabilities 3,563,021

Deferred Inflows of Resources

Deferred amounts related to pensions	<u>40,208</u>
--------------------------------------	---------------

Total deferred inflows 40,208

Net investment in capital assets	4,748,708
Unrestricted	<u>4,312,646</u>

Total net position \$ 9,061,354

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

Rowley Municipal Light Plant
Business-Type Activities Proprietary Fund
Statement of Changes in Net Position
For the Year Ended December 31, 2017

Operating revenues:	
Charges for services	\$ 6,881,700
Other operating revenues	<u>237,718</u>
Total operating revenues	<u>7,119,418</u>
Operating expenditures:	
Purchased power and production	4,974,861
Other operating expenses	1,633,547
Depreciation	<u>276,129</u>
Total operating expenditures	<u>6,884,537</u>
Operating income	<u>234,881</u>
Nonoperating revenues (expenses):	
Interest income	20,429
Interest expense	-
Payments in lieu of taxes	<u>(30,218)</u>
Total nonoperating revenues (expenses)	<u>(9,789)</u>
Changes in net position	225,092
Net position, beginning of year	<u>8,836,262</u>
Net position, end of year	\$ <u><u>9,061,354</u></u>

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

Rowley Municipal Light Plant
Business-Type Activities Proprietary Fund
Statement of Cash Flows
Year Ended December 31, 2017

Cash flows from operating activities:	
Cash received from customers	\$ 7,013,060
Cash paid to suppliers	(5,683,848)
Cash paid to employees	(933,701)
Payment in lieu of taxes	<u>(30,218)</u>
Net cash provided by operating activities	<u>365,293</u>
Cash flows from investing activities:	
Interest and investment income	20,429
Purchases and sales of investments, net	<u>80,884</u>
Net cash provided by capital and related financing activities:	<u>101,313</u>
Cash flows from capital and related financing activities:	
Capital expenditures, net	<u>(295,330)</u>
Net cash provided by capital and related financing activities:	<u>(295,330)</u>
Net increase in cash and cash equivalents	171,276
Cash and cash equivalents, beginning of year	<u>3,150,118</u>
Cash and cash equivalents, end of year	<u>\$ 3,321,394</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ 234,881
Depreciation, bad debts & reserve	276,129
Payment in lieu of taxes	(30,218)
(Increase) Decrease in accounts receivable	(65,190)
(Increase) Decrease in unbilled revenue	(40,491)
(Increase) Decrease in inventory	(6,561)
(Increase) Decrease in prepaid expenses	(229,644)
Increase (Decrease) in accounts payable	181,197
Increase (Decrease) in customer deposit liability	(677)
Increase (Decrease) in accrued employee benefits	7,588
Increase (Decrease) in accrued post-employee benefits	38,279
Increase (Decrease) in net pension liability and deferrals	<u>-</u>
Net cash provided by operating activities	<u>\$ 365,293</u>

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

Rowley Municipal Light Plant
 Fiduciary Fund
 Statement of Fiduciary Net Position
 Year Ended December 31, 2017

	<u>OPEB Trust</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	-
Investments	\$ <u>231,131</u>
Total assets	<u>231,131</u>
<u>Liabilities</u>	
Current Liabilities:	
Other Liabilities	\$ <u>-</u>
Total liabilities	<u>-</u>
<u>Net Position</u>	
Held in trust for retiree insurance benefits	<u>231,131</u>
Total net position	\$ <u><u>231,131</u></u>

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

Rowley Municipal Light Plant
 Fiduciary Fund
 Statement of Changes in Fiduciary Net Position
 Year Ended December 31, 2017

	<u>OPEB Trust Fund</u>
<u>Additions</u>	
Contributions:	
From Rowley Municipal Light Department	\$ <u>100,000</u>
Total contributions	<u>100,000</u>
Investment income:	
Interest and dividend income	<u>18,998</u>
Total investment income	<u>18,998</u>
Total additions	<u>118,998</u>
<u>Deductions</u>	
Benefits	
	<u>-</u>
Total deductions	<u>-</u>
Change in net position	118,998
Net position - beginning of year	<u>112,133</u>
Net position - end of year	<u>\$ <u>231,131</u></u>

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

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2017

1. Summary of Significant Accounting Policies

A. Introduction

The Town of Rowley Municipal Light Plant (the Plant) is an enterprise fund of the Town of Rowley, Massachusetts and was incorporated in 1910. The Plant was formed to provide electric power and related services to consumers in the Town of Rowley, Massachusetts. The Plant operates under the provisions of Chapter 164 of Massachusetts General Laws with an elected Board of Light Commissioners.

The Plant complies with accounting principles generally accepted in the United States of America (GAAP). The Plant's accounting records are required to conform to the accounting standards set by the Commonwealth of Massachusetts Department of Public Utilities (DPU), which differ from GAAP. Certain adjustments have been made to present the Plant's financial statements in accordance with GAAP.

B. Reporting Entity

The financial statements present information only on activities of Town of Rowley Municipal Light Plant and do not purport to, and do not, present fairly the financial position of the Town of Rowley, Massachusetts as of December 31, 2017, and the changes in its financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. The Plant is presented as an enterprise fund in the Town of Rowley, Massachusetts' annual financial statements.

C. Regulation and Operation

Under Massachusetts law, electric rates of the Plant are set by the Board of Commissioners and may be changed once every three months. Rate schedules are filed with the DPU. While the DPU exercises general supervisory authority over the Plant, rates are not subject to DPU approval. Rates must be set such that net earnings from operations do not exceed 8% of the cost of utility plant, unless prior year losses are being recaptured.

D. Basis of Accounting

I. Basis of Presentation

The financial condition and results of operations of the Plant are presented as of and for the year ended December 31, 2017.

II. Basis of Accounting

The Plant's electric operations are accounted for as a proprietary fund type. As such, this fund is reported using the economic resources measurement focus and 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. The Plant also distinguishes between operating and nonoperating revenues and expenses, based on whether the items relate to the primary operation of providing electric service.

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2017

1. Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

II. Basis of Accounting (continued)

The Plant also has a fiduciary fund type which is a trust fund established pursuant to Chapter 32B Sections 20 of Massachusetts General Laws for the purpose of accumulating assets to fund the Plant's other post-employment benefits (OPEB) liability. This fund is also reported using the economic resources measurement focus and the accrual basis of accounting.

III. Cash Equivalents

For purposes of the statement of cash flows, the Plant considers investments with original maturities of three months or less when purchased to be cash equivalents.

IV. Inventory

Inventory is carried at cost, calculated on an average cost basis.

V. Utility Plant in Service (Capital Assets)

Utility plant in service is recorded at historical cost. Depreciation is calculated on a straight-line basis. Depreciation rates are as follows: buildings and structures - 50 years; utility plant infrastructure (poles, meters, transformers, etc.) - 20 to 33 years; other capital assets - 10 to 20 years.

An amount equal to annual depreciation expense is transferred by the Plant from general operating cash to a segregated depreciation cash fund. This fund is utilized in accordance with DPU regulations for certain additions to utility plant in service.

The Plant charges maintenance costs to expense when incurred. Replacements and betterments are charged to utility plant when purchased or when placed in service, according to DPU requirements. At the time plant is retired, the cost of plant, less accumulated depreciation and any salvage value, is recorded as a reduction of the related accounts.

VI. Accrued Vacation and Sick Leave

Vacation time for Plant employees varies from one to five weeks, based on years of service. In addition, upon termination, employees are eligible to "buy back" a percentage of accrued sick time, subject to certain restrictions. Vacation and sick leave payable at December 31, 2017 is accrued in the accompanying financial statements.

VII. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, proprietary and fiduciary fund statements may present deferred outflow 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

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2017

1. Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

VII. Deferred Outflows/Inflows of Resources (continued)

applies to a future period and will be recognized as an inflow (revenue) at that time. In the proprietary fund financial statements, certain items related to the net pension liability have been reported as deferred outflows and inflows.

VIII. 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 (the 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.

IX. Other Post-Employment Benefits

In additions to pensions, the Plant provides health and life insurance benefits for current and future retirees and their spouses.

X. Operating Revenues

Revenues are based on rates established by the Plant and are applied to customers' consumption of electricity. The Plant utilizes a fuel cost adjustment, whereby fluctuations in the cost of power can be adjusted monthly on customer bills without a change to the basic rate structure. Certain customers are allowed a discount on a portion of their electric bill if paid within fifteen days which is recorded as revenue when forfeited.

XI. Taxes

The Plant is exempt from state and federal income taxes and local property taxes. The Plant pays an in lieu of tax payment to the Town of Rowley based on an annual vote by the Board of Commissioners.

XII. Use of Estimates

In preparing the Plant'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.

2. Cash and Investments

Cash of the Plant is in control of the Town Treasurer, as required by state law. State and local statutes place certain limitations on the nature of deposits and investments available to the Plant.

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2017

2. Cash and Investments (continued)

Cash and cash equivalents in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Separate accounts are maintained for the Plant's depreciation, stabilization and customer meter deposits funds. General operating cash is pooled with Town funds in various Town bank accounts.

The Plant maintains a depreciation and stabilization fund, which are designations allowed per DPU regulations. Subject to certain restrictions, these amounts are available for general Plant operations and are included in the financial statements as unrestricted cash and cash equivalents. Customer meter deposits are presented as restricted cash and cash equivalents, as these amounts are available to the Plant only if a customer account is terminated with an outstanding balance.

At year-end, the Plant's carrying amount of all segregated deposits was \$3,091,593. The bank balance of segregated Plant cash was \$3,091,593. In addition to the segregated bank funds, there was \$87,584 in operating cash pooled within various Town accounts. Cash is pooled with, or in the same financial institution as, Town operating funds and, therefore, specific collateralization information on these amounts is not available. Included in these amounts is \$3,091,596 deposited in the Massachusetts Municipal Depository Trust (MMDT), an investment pool established by the State Treasurer.

At year-end, the investment balances for the Plant were as follows:

<u>Type of Investment</u>	<u>Fair Value</u>
US Government Securities	\$1,173,774
Certificates of Deposit	453,831
Other fixed income securities	376,548
Mutual Funds	125,631
Money Market Funds (cash equivalents)	30,688
Pooled Funds – OPEB Trust	<u>231,131</u>
Total investments	<u>\$2,391,603</u>

US government securities maturities are as follows: \$209,164 less than one year, \$118,547 between one and two years and \$846,063 between two and five years. Certificates of deposit maturities are as follows: \$115,069 less than one year, \$173,236 between one and two years and \$165,526 between two and five years. Other fixed income securities maturities are as follows: \$209,858 less than one year, \$90,327 between one and two years and \$76,363 between two and five years. The US government and agency securities investments are AA to A by Standard and Poor's. The other fixed income securities are rated as follows: \$129,986 AA to A and \$246,562 BBB by Standard and Poor's. Other investments are not rated. The OPEB trust funds are in an investment account pooled with the Town's OPEB funds and, therefore, information on the Plant's specific securities is not available.

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements Years Ended December 31, 2017

3. Accounts Receivable

The following is a summary of accounts receivable as of December 31, 2017.

Customer accounts receivable	\$368,268
Other accounts receivable	61,592
Allowance for uncollectible accounts	<u>(53,180)</u>
Total accounts receivable, net	<u>\$376,680</u>

In addition, at December 31, 2017 the Plant has \$482,450 in unbilled revenue. This represents power sold to customers for December, 2017 usage that will be billed in the subsequent year.

4. Prepaid Expenses

At December 31, 2017, the Plant has total prepaid expenses of \$1,259,005. Most of the prepaid expense amount represents a deposit used to facilitate timely payments of certain monthly power invoices. The remainder represents amounts prepaid to the Town of Rowley for employee benefits and insurance.

5. Capital Assets

The following is a summary of capital assets for the year ended December 31, 2017.

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Capital assets not being depreciated:				
Land and land improvements	<u>\$282,334</u>	=	=	<u>282,334</u>
Total capital assets not being depreciated	<u>282,334</u>	=	=	<u>282,334</u>
Capital assets being depreciated:				
Buildings and improvements	595,764	31,800	-	627,564
Equipment	1,512,249	9,553	-	1,521,802
Infrastructure	<u>6,636,262</u>	<u>253,976</u>	<u>27,979</u>	<u>6,862,259</u>
Total capital assets being depreciated	<u>8,744,275</u>	<u>295,329</u>	<u>27,979</u>	<u>9,011,625</u>
Less accumulated depreciation for:				
Buildings and improvements	(311,255)	(12,551)	-	(323,806)
Equipment	(946,803)	(69,241)	-	(1,016,044)
Infrastructure	<u>(3,039,043)</u>	<u>(194,337)</u>	<u>(27,979)</u>	<u>(3,205,401)</u>
Total accumulated depreciation	<u>(4,297,101)</u>	<u>(276,129)</u>	<u>(27,979)</u>	<u>(4,545,251)</u>
Capital assets being depreciated, net	<u>4,447,174</u>	<u>19,200</u>	=	<u>4,466,374</u>
Total capital assets, net	<u>\$4,729,508</u>	<u>19,200</u>	=	<u>4,748,708</u>

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2017

6. Notes and Bonds Payable

The Plant did not have any short or long-term debt outstanding at any time during the year ended December 31, 2017. At December 31, 2017, the Plant has no unauthorized and unissued debt.

7. Pension Plans

Plan Description: Plant 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 and audited financial statements 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.

The System provides retirement, disability and death benefits. Benefit payments are based on a member's age, length of creditable service, level of compensation and group classification. Retirement benefits are determined as follows. For employees hired prior to April 2, 2012, the system provides for retirement benefits up to a maximum of 80% of a member's highest three-year average annual rate of compensation. For employees hired on or after April 2, 2012, it is a maximum of 80% of a member's highest consecutive five-year average or, if greater, during the last five years (consecutive or not) preceding retirement. 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 Plant'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 Plant for the year ended December 31, 2017 were \$167,905.

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

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2017

7. Pension Plans (continued)

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

At December 31, 2017, the Plant reported a liability of \$2,232,711 for its proportionate share of the net pension liability. The net pension liability was measured at December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 rolled forward to December 31, 2016. There were no material changes made in this update to the actuarial assumptions or to the retirement terms since the last actuarial valuation. The Plant's proportion of the net pension liability was based on a projection of the Plant's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2016, the Plant's proportion was 0.579%.

For the year ended December 31, 2017, the Plant recognized pension expense of \$117,346. At December 31, 2017, the Plant reported deferred outflows as follows: \$97,804 for net difference between projected and actual investment earnings, \$94,625 for changes in assumptions and \$75,085 for changes in proportion and differences between employer contributions and proportionate share of contributions and reported deferred inflows as follows: \$40,207 for the difference between expected and actual experience. This amount will be recognized in pension expense as follows:

Fiscal year ended December 31:	
2018	\$63,843
2019	\$63,843
2020	\$65,965
2021	\$28,906
2022	4,750
Thereafter	-

Actuarial Assumptions: The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	Actuarial cost method	Entry Age Normal Cost Method
	Amortization method	The total appropriation is set to increase annually by 7.74% for five years, then by 6.36% for one year and 4% increases thereafter until the final year when it will be 3.89%.
	Asset valuation method	Market value adjusted by accounts payable and receivables
	Projected salary increases	3% of the first \$13,000 of a member's retirement allowance is assumed every year
	Remaining amortization period	18 years for the fresh start base.
	Investment rate of return	7.75% per annum
	Salary increases	7.5% year one, 6.5% year two, 6.0% year three, 5.5% year four, 5.0% year five, 3.75% ultimate rate

Mortality rates were based on the RP-2000 Mortality Table (sex distinct) projected with scale BB and generational mortality. During employment, the healthy employee mortality table is used. Post-employment the healthy annuitant table is used. For disabled life, the mortality rates were based on

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2017

7. Pension Plans (continued)

the RP-2000 Mortality Table set forward two years. Death is assumed to be the same cause as the disability 40% of the time.

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>
<u>Global Equity</u>		
Large Cap equities	14.5%	7.5%
Small/mid cap equities	3.5%	7.75%
International equities	16%	7.83%
Emerging international equities	6%	9.61%
<u>Core Fixed Income</u>		
Core bonds	5%	4%
20+ year treasuries	5%	3.75%
TIPS	3%	3.75%
<u>Value Added Fixed Income</u>		
High-yield bonds	1.5%	5.75%
Bank loans	1.5%	6%
EMD (external)	1%	5.75%
EMD (local currency)	2%	6.5%
Private debt	4%	9.06%
Private equity	10%	9.5%
Real estate	10%	6.5%
Timberland	4%	6%
Hedge funds/other	<u>13%</u>	6.48%
Total	<u>100%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that contributions will be made at the actuarially determined contribution rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Plant's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Plant's proportionate share of the net pension liability of the System calculated using the discount rate of 7.75%, as well as what the Plant's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2017

7. Pension Plans (continued)

<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$2,736,568	\$2,232,711	\$1,859,945

8. Other Post-Employment Benefits (OPEB)

The Plant was required to implement GASB 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, for the 2009 financial statements. As allowed by GASB 45, the Plant has established the net OPEB obligation at zero for the beginning of fiscal year 2009 and has applied the measurement and recognition requirements of GASB 45 on a prospective basis.

Plan Description - The Plant provides for certain health care benefits in accordance with Massachusetts General Law Chapter 32B, to employees who retire in accordance with various predetermined years of service and under various age requirements under a single employer defined benefit plan. Changes to plan design and contribution rates must be negotiated through the collective bargaining process.

At January 1, 2017, the most recent valuation date, the number of Plan participants is as follows: 8 active employees and 7 retirees and beneficiaries for a total of 15 plan participants.

Funding Policy - Contribution requirements are negotiated as part of the collective bargaining process. Currently, members receiving these benefits contribute 47.5% of the cost of the plans and the plant contributes 52.5%. The cost of administering the plan is paid for by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Plant's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with GASB 45 parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The components of the Plant's annual OPEB cost for the year, the actual contribution to the plan and changes to the Plant's net OPEB obligation are presented in the following table.

Annual required contribution	\$114,292
Interest on OPEB obligation	27,421
Adjustment to ARC	<u>(31,616)</u>
Annual OPEB cost	110,097
Projected benefit payments	(31,267)
Other adjustment	59,449
Contribution to OPEB trust	<u>(100,000)</u>
Increase (decrease) in net OPEB obligation	38,279
 Net OPEB obligation - beginning of year	 <u>513,016</u>
 Net OPEB obligation - end of year	 <u>\$551,295</u>

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2017

8. Other Post-Employment Benefits (OPEB) (continued)

The Plan's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2017	\$110,097	119%	\$551,295
12/31/2016	\$103,248	118%	\$531,016
12/31/2015	\$54,809	48%	\$437,053

Funding Status and Funding Progress - The funded status of the plan at July 1, 2011, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age Normal Cost (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage Of Covered Payroll ((B-A)/C)
1/1/2017	\$112,133	\$1,133,173	\$1,021,040	9.9%	934,506	109.2%
7/1/2014	\$31,865	\$914,868	\$883,033	3.5%	N/A	N/A
7/1/2011	\$0	\$742,554	\$742,554	0%	\$1,048,752	70.8%

The actuarial valuation of an ongoing plan involves estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding funding status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) 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 short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following additional information is provided as of the latest actuarial valuation:

- Valuation date January 1, 2017
- Actuarial cost method Projected unit credit
- Amortization method 30 years, level dollar
- Remaining amortization period 21 years, as of December 31, 2017
- Interest discount rate 4.79%
- Medical cost trend 8% down to 5% over 5 years

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2017

9. Other Post-Employment Benefits (OPEB) – GASB 74

As part of the Department’s single-employer OPEB plan, The Department has established an OPEB trust fund to accumulate assets and provide funding for future employee health care costs.

Net OPEB Liability: The components of the net OPEB liability at December 31, 2017 were as follows:

Total OPEB liability	\$1,275,882
OPEB plan fiduciary net position	<u>(231,131)</u>
Net OPEB liability	<u>\$ 1,044,751</u>
OPEB plan fiduciary net position as % of total OPEB liability	<u>18.1%</u>

Actuarial Assumptions: The total OPEB liability at December 31, 2017 was determined by an actuarial valuation as of January 1, 2017 with an actuarially determined contribution as of December 31, 2017, using the following actuarial methods and assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.0 percent
Salary increases	3.5% annually
Investment rate of return	4.79 percent, net of OPEB investment expense

For pre-retirement mortality, mortality rates were based on the RP-2000 Mortality Table (base year 2009) using Scale BB. For post-retirement mortality, mortality rates were based on the RP-2000 Healthy Annuitant Table (base year 2009) using Scale BB. For disabled lives, the mortality rates were based on the RP-2000 Healthy Annuitant Table (base year 2012) using Scale BB.

Investments: The Department has its funds in an investment account with an investment advisor. The Department has an OPEB investment policy. 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 Equity Large Cap	13.3%	5.05%
Int'l Equity Developed Market	6.3%	5.80%
Domestic Fixed Income	56.72%	2.47%
International Fixed Income	1.98%	2.40%
Alternatives	6.32%	4.80%
Cash	<u>15.38%</u>	0.00%
Total	<u>100.0%</u>	

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2017

9. Other Post-Employment Benefits (OPEB) – GASB 74 (continued)

Discount Rate: The discount rate used to measure the total pension liability was 3.13%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates. Based on that, the fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the Department's proportionate share of the net pension liability of the System calculated using the discount rate of 3.13%, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate:

<u>1% Decrease (2.13%)</u>	<u>Current Discount Rate (3.13%)</u>	<u>1% Increase (4.13%)</u>
\$1,327,487	\$1,044,751	\$831,227

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate: The following presents the Town's proportionate share of the net pension liability of the System calculated using the current healthcare cost trend rate of 8.0% in year one decreasing to 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 (7.0%, decreasing to 4%) or 1-percentage-point higher (9.0%, decreasing to 6%) than the current rate:

<u>1% Decrease (7.0% Year One Decreasing to 4%)</u>	<u>Current Discount Rate (8.0% Year One Decreasing to 5%)</u>	<u>1% Increase (9.0% Year One Decreasing to 6%)</u>
\$805,118	\$1,044,751	\$1,372,638

10. Commitments

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

11. Contingencies

Numerous lawsuits may be pending or threatened against the Plant, which arose 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 Plant's attorney estimates that potential claims, not covered by insurance, resulting from such litigation, would not materially affect the financial statements.

TOWN OF ROWLEY MUNICIPAL LIGHT PLANT

Notes to Financial Statements
Years Ended December 31, 2017

12. Implementation of New GASB Statements

During fiscal year 2017, the Plant implemented the following GASB pronouncements:

- GASB Statement #74 – *Financial Reporting for Postemployment Benefits Plans Other than Pension Plans*, which is required to be implemented in fiscal year 2017. The Plant has successfully implemented this statement in its financial statements.
- GASB Statement #80 – *Blending Requirements for Certain Component Units – AN amendment of GASB Statement No. 14*, which is required to be implemented in fiscal year 2017. This Statement did not have any significant impact on the Plant's financial statements.
- GASB Statement #82 – *Pensions Issues – An Amendment of GASB Statement Nos. 67, 68 and 73*, which is required to be implemented in fiscal year 2017. This Statement did not have any significant impact on the Plant's financial statements.
- GASB Statement #81 – *Irrevocable Split-Interest Agreements*, which is required to be implemented in fiscal year 2017. This Statement did not have any significant impact on the Plant's financial statements.

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

- GASB Statement #75 – *Accounting and Financial Reporting for Postemployment Benefits Plans Other than Pensions*, which is required to be implemented in fiscal year 2018. The Plant is currently evaluating the possible impact this will have on its financial statements.
- GASB Statement #83 – *Certain Asset Retirement Obligations*, which is required to be implemented in fiscal year 2019. The Plant is currently evaluating the possible impact this will have on its financial statements.
- GASB Statement #84 – *Fiduciary Activities*, which is required to be implemented in fiscal year 2019. The Plant is currently evaluating the possible impact this will have on its financial statements.
- GASB Statement #85 – *Omnibus 2017*, which is required to be implemented in fiscal year 2018. The Plant is currently evaluating the possible impact this will have on its financial statements.
- GASB Statement #86 – *Certain Debt Extinguishment Issues*, which is required to be implemented in fiscal year 2018. The Plant is currently evaluating the possible impact this will have on its financial statements.
- GASB Statement #87 – *Leases*, which is required to be implemented in fiscal year 2020. The Plant is currently evaluating the possible impact this will have on its financial statements.
- GASB Statement #88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement*, which is required to be implemented in fiscal year 2019. The Plant is currently evaluating the possible impact this will have on its financial statements.

Town of Rowley Municipal Light Plant
 Required Supplementary Information
 Fiscal Year Ended December 31, 2017

Town of Rowley Municipal Light Plant's Proportionate Share of Net Pension Liability - Essex Regional Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Department's proportion of the net pension liability	<u>0.579%</u>	<u>0.579%</u>	<u>0.54%</u>
Department's proportionate share of the net pension liability	<u>\$2,232,711</u>	<u>\$2,232,711</u>	<u>\$1,845,572</u>
Department's covered-employee payroll	<u>\$739,222</u>	<u>\$739,222</u>	<u>\$823,935</u>
Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>302.0%</u>	<u>302.0%</u>	<u>224.0%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>51.12%</u>	<u>51.12%</u>	<u>52.25%</u>

Town of Rowley Municipal Light Plant's Schedule of Contributions - Essex Regional Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	<u>\$167,905</u>	<u>\$167,905</u>	<u>\$139,552</u>
Contributions in relation to the contractually required contribution	<u>(167,905)</u>	<u>(167,905)</u>	<u>(139,550)</u>
Contribution deficiency (excess)	<u>-----</u>	<u>-----</u>	<u>-----</u>
Department's covered-employee payroll	<u>\$739,222</u>	<u>\$739,222</u>	<u>\$823,935</u>
Contributions as a percentage of covered-employee payroll	<u>22.7%</u>	<u>22.7%</u>	<u>16.9%</u>

Note: The above schedules are required for ten years. Additional years will be presented as they become available. These amounts were determined for 2017 and 2016 as of December 31, 2016 and for 2015 as of December 31, 2014.

Rowley Municipal Light Plant
Required Supplementary Information
Schedules of Changes in Total OPEB Liability
and Plan Fiduciary Net Position

	<u>2017</u>
<u>Total OPEB Liability (GASB 74)</u>	
Service cost	\$ 49,489
Interest on total OPEB liability	59,044
Changes in benefit terms	-
Difference between expected and actual plan experience	-
Changes in assumptions	-
Benefit payments, including refunds of member contributi	<u>(31,267)</u>
Net change in total OPEB liability	77,266
Total OPEB liability - beginning of year	<u>1,198,616</u>
Total OPEB liability - end of year	<u>\$ 1,275,882</u>
<u>Plan Fiduciary Net Position (GASB 74)</u>	
Net investment income	<u>\$ 18,998</u>
Net investment income (loss)	18,998
Employer contributions	131,267
Benefit payments	(31,267)
Administrative expense	<u>-</u>
Net change in fiduciary plan net position	118,998
Plan fiduciary net position - beginning of year	<u>112,133</u>
Plan fiduciary net position - end of year	<u>\$ 231,131</u>
Net OPEB liability	<u>\$ 1,044,751</u>

These schedules are required for ten year. Additional years will be presented as they become available.

See notes to the Department's financial statement for a summary of significant actuarial methods and assumptions.

Town of Rowley Municipal Light Plant
Required Supplementary Information
Fiscal Year Ended December 31, 2017

Schedule of Net OPEB Liability (GASB 74)

	<u>2017</u>
Total OPEB liability	\$1,275,882
Plan fiduciary net position	<u>231,131</u>
Net OPEB liability	<u>\$1,044,751</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>18.1%</u>
Plant's covered-employee payroll	<u>\$933,701</u>
Plan net OPEB liability as a percentage of covered payroll	<u>112%</u>

Schedule of OPEB Contributions (GASB 74)

	<u>2017</u>
Actuarially determined contribution	\$ 108,533
Contributions in relation to the actuarially determined contribution	<u>(131,267)</u>
Contribution deficiency (excess)	<u>(22,734)</u>
Plant's covered-employee payroll	<u>\$933,701</u>
Contributions as a percentage of covered-employee payroll	<u>14.06%</u>

Schedule of Investment Returns (GASB 74)

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	<u>13.92%</u>

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

See notes to the Plant's financial statements for summary of significant actuarial methods and assumptions.