

TOWN OF WESTFORD, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2017

Town of Westford, Massachusetts

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Westford, Massachusetts

Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westford, Massachusetts, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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 Westford, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Pension and OPEB schedules appearing on pages 57 to 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Melanson Heath

March 2, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Westford, Massachusetts, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, employee benefits, interest, and intergovernmental. The business-type activities include water, ambulance, and recreation activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for water, ambulance and recreations operations, which are considered to be major funds.

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 much like that used for proprietary funds.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$178,532,296 (i.e., net position), a change of \$(5,916,815) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$39,335,430, a change of \$2,652,637 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,216,784, a change of \$2,358,236 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years (in thousands):

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 48,565	\$ 46,288	\$ 8,976	\$ 9,826	\$ 57,541	\$ 56,114
Capital assets	<u>220,211</u>	<u>225,306</u>	<u>40,471</u>	<u>41,597</u>	<u>260,682</u>	<u>266,903</u>
Total assets	268,776	271,594	49,447	51,423	318,223	323,017
Deferred outflow of resources	6,794	3,463	205	105	6,999	3,568
Long-term liabilities outstanding	120,523	115,028	10,851	10,884	131,374	125,912
Other liabilities	<u>13,815</u>	<u>13,938</u>	<u>1,500</u>	<u>2,286</u>	<u>15,315</u>	<u>16,224</u>
Total liabilities	134,338	128,966	12,351	13,170	146,689	142,136
Net position:						
Net investment in capital assets	186,312	187,101	31,121	31,234	217,433	218,335
Restricted	7,085	6,902	-	-	7,085	6,902
Unrestricted	<u>(52,165)</u>	<u>(47,912)</u>	<u>6,180</u>	<u>7,124</u>	<u>(45,985)</u>	<u>(40,788)</u>
Total net position	<u>\$ 141,232</u>	<u>\$ 146,091</u>	<u>\$ 37,301</u>	<u>\$ 38,358</u>	<u>\$ 178,533</u>	<u>\$ 184,449</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$178,532,296, a change of \$(5,916,815) from the prior year.

The largest portion of net position \$217,432,240 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$7,085,004 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position deficit of \$(45,984,948) caused by unfunded pension and OPEB liabilities, as discussed in Notes 17 and 19.

	<u>CHANGES IN NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,710	\$ 5,972	\$ 6,149	\$ 6,744	\$ 12,859	\$ 12,716
Operating grants and contributions	35,746	23,204	-	-	35,746	23,204
Capital grants and contributions	1,055	2,052	-	-	1,055	2,052
General revenues:						
Property taxes	74,183	71,179	-	-	74,183	71,179
Excises	3,740	3,589	-	-	3,740	3,589
Penalties and interest on taxes	1,580	1,465	-	-	1,580	1,465
Grants and contributions not restricted to specific programs	2,163	2,096	-	-	2,163	2,096
Intergovernmental	-	-	231	217	231	217
Investment income	226	681	19	13	245	694
Other	1,546	1,182	75	80	1,621	1,262
Total revenues	<u>126,949</u>	<u>111,420</u>	<u>6,474</u>	<u>7,054</u>	<u>133,423</u>	<u>118,474</u>
Expenses:						
General government	8,217	9,321	-	-	8,217	9,321
Public safety	18,040	17,735	-	-	18,040	17,735
Education	84,327	66,853	-	-	84,327	66,853
Public works	11,410	10,834	-	-	11,410	10,834
Health and human services	2,412	2,381	-	-	2,412	2,381
Culture and recreation	4,428	4,648	-	-	4,428	4,648
Interest on long-term debt	1,774	716	-	-	1,774	716
Intergovernmental	503	494	-	-	503	494
Water operations	-	-	5,364	3,707	5,364	3,707
Ambulance operations	-	-	1,397	1,230	1,397	1,230
Recreation operations	-	-	1,467	1,500	1,467	1,500
Total expenses	<u>131,111</u>	<u>112,982</u>	<u>8,228</u>	<u>6,437</u>	<u>139,339</u>	<u>119,419</u>

(continued)

(continued)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Change in net position before transfers	(4,162)	(1,562)	(1,754)	617	(5,916)	(945)
Permanent fund contributions	-	81	-	-	-	81
Transfers in (out)	<u>(697)</u>	<u>(1,347)</u>	<u>697</u>	<u>626</u>	<u>-</u>	<u>(721)</u>
Change in net position	(4,859)	(2,828)	(1,057)	1,243	(5,916)	(1,585)
Net position - beginning of year, as restated	<u>146,091</u>	<u>148,919</u>	<u>38,358</u>	<u>37,115</u>	<u>184,449</u>	<u>186,034</u>
Net position - end of year	<u>\$ 141,232</u>	<u>\$ 146,091</u>	<u>\$ 37,301</u>	<u>\$ 38,358</u>	<u>\$ 178,533</u>	<u>\$ 184,449</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(4,858,995). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (298,331)
Community preservation operating results	335,411
Nonmajor fund surplus - accrual basis	2,984,775
Depreciation expense in excess of principal debt service	(2,808,851)
Change in net pension liability	(2,052,745)
Change in OPEB obligation	(3,070,375)
Other	<u>51,121</u>
Total	<u>\$ (4,858,995)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(1,057,820). Key elements of this change are as follows:

Water enterprise	\$ (1,069,504)
Ambulance enterprise	176,739
Recreation enterprise	<u>(165,055)</u>
Total	<u>\$ (1,057,820)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$39,335,430, a change of \$2,652,637 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ (298,331)
Community preservation	335,411
Nonmajor funds	<u>2,615,557</u>
Total	<u>\$ 2,652,637</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,216,784, while total fund balance was \$25,642,882. 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 general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance*	\$ 11,216,784	\$ 8,858,548	\$ 2,358,236	9.9%
Total fund balance	\$ 25,642,882	\$ 25,941,213	\$ (298,331)	22.7%

*These figures include the general stabilization fund

The total fund balance of the general fund changed by \$(298,331) during the current fiscal year. Key factors in this change are as follows:

Revenue in excess of budget	\$ 1,019,551
Budgetary appropriation turnbacks	1,955,005
Shortfall of tax collections	742,657
Excess of prior year encumbrances, net of current year encumbrances	156,646
Use of free cash and overlay surplus	(3,452,539)
Use of designated fund balance	(26,907)
Change in stabilization	569,015
Other reclassifications	<u>(1,261,759)</u>
Total	<u>\$ (298,331)</u>

Included in the total general fund balance are the Town's stabilization accounts with the following balances:

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
General stabilization	\$ 5,344,593	\$ 4,789,317	\$ 555,276
Health stabilization	544,885	540,637	4,248
Capital stabilization	<u>1,217,294</u>	<u>1,207,803</u>	<u>9,491</u>
Total	<u>\$ 7,106,772</u>	<u>\$ 6,537,757</u>	<u>\$ 569,015</u>

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$6,179,985, a change of \$(943,822) in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no net differences between the original budget and the final amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$260,682,180 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- \$908,398 for road infrastructure
- \$312,245 of construction in progress on the Robinson and Day Schools window project
- \$424,174 of construction in progress on the Route 40 culvert construction

Additional information on capital assets can be found in the Notes to the Financial Statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$43,259,367, all of which was backed by the full faith and credit of the Town.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Westford's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town of Westford, Massachusetts
55 Main Street
Westford, Massachusetts 01886

TOWN OF WESTFORD, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 20,776,296	\$ 7,447,042	\$ 28,223,338
Investments	25,946,054	-	25,946,054
Receivables, net of allowance for uncollectibles:			
Property taxes	678,792	-	678,792
Excises	253,041	-	253,041
Departmental and other	330,329	-	330,329
User fees	-	1,528,874	1,528,874
Other assets	25,000	-	25,000
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	504,705	-	504,705
Other assets	50,000	-	50,000
Capital assets			
Land and construction in progress	43,375,192	2,390,430	45,765,622
Other capital assets, net of accumulated depreciation	176,836,248	38,080,310	214,916,558
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	<u>6,794,481</u>	<u>205,088</u>	<u>6,999,569</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	275,570,138	49,651,744	325,221,882
LIABILITIES			
Current:			
Warrants payable	1,485,537	151,878	1,637,415
Accrued liabilities	698,121	96,746	794,867
Notes payable	3,850,725	-	3,850,725
Tax refunds payable	801,000	-	801,000
Other current liabilities	948,149	-	948,149
Current portion of long-term liabilities:			
Bonds payable	5,954,087	1,243,588	7,197,675
Other	77,403	9,030	86,433
Noncurrent:			
Bonds payable, net of current portion	27,733,976	8,327,716	36,061,692
Net pension liability	51,354,476	1,550,105	52,904,581
Net OPEB obligation	39,964,221	800,631	40,764,852
Other, net of current portion	<u>1,470,649</u>	<u>171,548</u>	<u>1,642,197</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	134,338,344	12,351,242	146,689,586
NET POSITION			
Net investment in capital assets	186,311,723	31,120,517	217,432,240
Restricted for:			
State and federal grants	4,630,187	-	4,630,187
Permanent funds:			
Nonexpendable	683,682	-	683,682
Expendable	1,771,135	-	1,771,135
Unrestricted	<u>(52,164,933)</u>	<u>6,179,985</u>	<u>(45,984,948)</u>
TOTAL NET POSITION	\$ <u>141,231,794</u>	\$ <u>37,300,502</u>	\$ <u>178,532,296</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 8,217,364	\$ 444,968	\$ 665,531	\$ -	\$ (7,106,865)	\$ -	\$ (7,106,865)
Public safety	18,040,284	868,517	49,348	-	(17,122,419)	-	(17,122,419)
Education	84,326,980	4,269,166	34,605,427	-	(45,452,387)	-	(45,452,387)
Public works	11,410,485	95,430	-	1,054,951	(10,260,104)	-	(10,260,104)
Health and human services	2,411,678	668,463	367,576	-	(1,375,639)	-	(1,375,639)
Culture and recreation	4,427,594	363,650	58,354	-	(4,005,590)	-	(4,005,590)
Interest	1,774,424	-	-	-	(1,774,424)	-	(1,774,424)
Intergovernmental	502,581	-	-	-	(502,581)	-	(502,581)
Total Governmental Activities	131,111,390	6,710,194	35,746,236	1,054,951	(87,600,009)	-	(87,600,009)
Business-Type Activities:							
Water services	5,366,638	3,919,515	-	-	-	(1,447,123)	(1,447,123)
Ambulance	1,396,946	1,047,779	-	-	-	(349,167)	(349,167)
Recreation	1,466,652	1,182,342	-	-	-	(284,310)	(284,310)
Total Business-Type Activities	8,230,236	6,149,636	-	-	-	(2,080,600)	(2,080,600)
Total	\$ 139,341,626	\$ 12,859,830	\$ 35,746,236	\$ 1,054,951	(87,600,009)	(2,080,600)	(89,680,609)
General Revenues, Contributions, and Transfers:							
Property taxes					74,183,439	-	74,183,439
Excises					3,739,781	-	3,739,781
Penalties, interest and other taxes					1,579,641	-	1,579,641
Grants and contributions not restricted to specific programs					2,162,611	-	2,162,611
Intergovernmental revenue					-	230,972	230,972
Investment income					225,983	19,294	245,277
Miscellaneous					1,546,312	75,761	1,622,073
Transfers (net)					(696,753)	696,753	-
Total general revenues, contributions, and transfers					82,741,014	1,022,780	83,763,794
Change in Net Position					(4,858,995)	(1,057,820)	(5,916,815)
Net Position:							
Beginning of year, as restated					146,090,789	38,358,322	184,449,111
End of year					\$ 141,231,794	\$ 37,300,502	\$ 178,532,296

The accompanying notes are an integral part of these financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	General Fund	Community Preservation Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and short-term investments	\$ 11,801,011	\$ -	\$ 8,975,285	\$ 20,776,296
Investments	17,201,475	6,094,619	2,649,960	25,946,054
Receivables:				
Property taxes	1,297,308	-	-	1,297,308
Excises	283,266	-	-	283,266
Departmental and other	<u>69,155</u>	<u>25,529</u>	<u>235,645</u>	<u>330,329</u>
TOTAL ASSETS	<u>\$ 30,652,215</u>	<u>\$ 6,120,148</u>	<u>\$ 11,860,890</u>	<u>\$ 48,633,253</u>
LIABILITIES				
Warrants payable	\$ 1,308,946	\$ 718	\$ 175,873	\$ 1,485,537
Accrued liabilities	523,521	-	-	523,521
Notes payable	-	-	3,850,725	3,850,725
Tax refunds payable	801,000	-	-	801,000
Other liabilities	<u>948,149</u>	<u>-</u>	<u>-</u>	<u>948,149</u>
TOTAL LIABILITIES	3,581,616	718	4,026,598	7,608,932
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	1,427,717	25,529	235,645	1,688,891
FUND BALANCES				
Nonspendable	-	-	683,682	683,682
Restricted	8,927,435	-	8,626,371	17,553,806
Committed	4,029,133	6,093,901	-	10,123,034
Assigned	1,469,530	-	-	1,469,530
Unassigned	<u>11,216,784</u>	<u>-</u>	<u>(1,711,406)</u>	<u>9,505,378</u>
TOTAL FUND BALANCES	<u>25,642,882</u>	<u>6,093,901</u>	<u>7,598,647</u>	<u>39,335,430</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 30,652,215</u>	<u>\$ 6,120,148</u>	<u>\$ 11,860,890</u>	<u>\$ 48,633,253</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2017

Total governmental fund balances	\$ 39,335,430
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	220,211,440
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,544,854
• Long-term liabilities, including bonds payable, net pension liability, net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(119,685,331)
• Other	<u>(174,599)</u>
Net position of governmental activities	<u><u>\$ 141,231,794</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF WESTFORD, MASSACHUSETTS
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Community Preservation Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 72,801,552	\$ 1,702,134	\$ -	\$ 74,503,686
Excises	3,755,588	-	-	3,755,588
Penalties, interest and other taxes	1,435,432	4,315	-	1,439,747
Betterments	26,200	-	-	26,200
Charges for services	-	-	4,870,411	4,870,411
Departmental	31,106	-	-	31,106
Intergovernmental	32,884,869	373,932	5,936,725	39,195,526
Licenses and permits	1,309,632	-	-	1,309,632
Fines and forfeitures	53,111	-	-	53,111
Investment income	135,063	65,601	25,319	225,983
Miscellaneous	999,988	-	518,095	1,518,083
	<u>113,432,541</u>	<u>2,145,982</u>	<u>11,350,550</u>	<u>126,929,073</u>
Total Revenues				
Expenditures:				
Current:				
General government	4,448,534	751,043	506,014	5,705,591
Public safety	9,383,835	-	1,066,180	10,450,015
Education	67,934,369	-	7,885,999	75,820,368
Public works	5,938,025	-	1,662,863	7,600,888
Health and human services	1,041,866	-	347,385	1,389,251
Culture and recreation	2,006,999	-	463,052	2,470,051
Employee benefits	15,215,228	-	-	15,215,228
Debt service	6,585,182	869,528	-	7,454,710
Intergovernmental	502,581	-	-	502,581
	<u>113,056,619</u>	<u>1,620,571</u>	<u>11,931,493</u>	<u>126,608,683</u>
Total Expenditures				
Excess (deficiency) of revenues over expenditures	375,922	525,411	(580,943)	320,390
Other Financing Sources (Uses):				
Issuance of bonds	-	-	3,029,000	3,029,000
Transfers in	22,500	-	190,000	212,500
Transfers out	(696,753)	(190,000)	(22,500)	(909,253)
	<u>(674,253)</u>	<u>(190,000)</u>	<u>3,196,500</u>	<u>2,332,247</u>
Total Other Financing Sources (Uses)				
Excess (deficiency) of revenues and other sources over expenditures and other uses	(298,331)	335,411	2,615,557	2,652,637
Fund Balance, at Beginning of Year	<u>25,941,213</u>	<u>5,758,490</u>	<u>4,983,090</u>	<u>36,682,793</u>
Fund Balance, at End of Year	<u>\$ 25,642,882</u>	<u>\$ 6,093,901</u>	<u>\$ 7,598,647</u>	<u>\$ 39,335,430</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Net changes in fund balances - total governmental funds	\$ 2,652,637																						
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital outlay</td> <td style="text-align: right;">3,398,218</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(8,492,865)</td> </tr> </table> The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(3,029,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">5,684,014</td> </tr> <tr> <td>Amortization of refunding</td> <td style="text-align: right;">(25,000)</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">18,139</td> </tr> <tr> <td>Change in net pension liability</td> <td style="text-align: right;">(5,383,936)</td> </tr> <tr> <td>Change in net OPEB obligation</td> <td style="text-align: right;">(3,070,375)</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">3,331,191</td> </tr> </table> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table> <tr> <td></td> <td style="text-align: right;">20,076</td> </tr> </table> Other <table> <tr> <td></td> <td style="text-align: right;"><u>37,906</u></td> </tr> </table> 		Capital outlay	3,398,218	Depreciation	(8,492,865)	Issuance of debt	(3,029,000)	Repayments of debt	5,684,014	Amortization of refunding	(25,000)	Amortization of bond premium	18,139	Change in net pension liability	(5,383,936)	Change in net OPEB obligation	(3,070,375)	Other	3,331,191		20,076		<u>37,906</u>
Capital outlay	3,398,218																						
Depreciation	(8,492,865)																						
Issuance of debt	(3,029,000)																						
Repayments of debt	5,684,014																						
Amortization of refunding	(25,000)																						
Amortization of bond premium	18,139																						
Change in net pension liability	(5,383,936)																						
Change in net OPEB obligation	(3,070,375)																						
Other	3,331,191																						
	20,076																						
	<u>37,906</u>																						
Change in net position of governmental activities	\$ <u>(4,858,995)</u>																						

The accompanying notes are an integral part of these financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Property taxes	\$ 72,058,895	\$ 72,058,895	\$ 72,058,895	\$ -
Excise	3,391,700	3,391,700	3,755,588	363,888
Penalties, interest and other taxes	1,395,000	1,395,000	1,435,432	40,432
Departmental	32,600	32,600	31,106	(1,494)
Betterments	10,657	10,657	26,200	15,543
Intergovernmental	20,460,736	20,460,736	20,444,653	(16,083)
Licenses and permits	1,120,900	1,120,900	1,309,632	188,732
Fines and forfeitures	80,000	80,000	53,111	(26,889)
Investment income	45,000	45,000	66,048	21,048
Miscellaneous	1,827,396	1,827,396	2,261,770	434,374
Transfers in	1,029,609	1,029,609	1,029,609	-
Use of free cash	3,452,539	3,452,539	3,452,539	-
Use of designated fund balance	26,907	26,907	26,907	-
Total Revenues and Other Sources	104,931,939	104,931,939	105,951,490	1,019,551
Expenditures and Other Uses:				
General government	4,896,969	4,896,969	4,592,510	304,459
Public safety	9,644,631	9,644,631	9,452,221	192,410
Education	55,482,059	55,482,059	55,136,989	345,070
Public works	6,364,749	6,364,749	6,134,947	229,802
Health and human services	1,150,441	1,150,441	1,072,792	77,649
Culture and recreation	2,180,902	2,180,902	2,122,638	58,264
Employee benefits	15,753,556	15,753,556	15,070,096	683,460
Debt service	6,733,967	6,733,967	6,693,433	40,534
Intergovernmental	525,938	525,938	502,581	23,357
Transfers out	2,198,727	2,198,727	2,198,727	-
Total Expenditures and Other Uses	104,931,939	104,931,939	102,976,934	1,955,005
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,974,556	\$ 2,974,556

The accompanying notes are an integral part of these financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2017

	Business-Type Activities Enterprise Fund			
	Water Fund	Ambulance Fund	Recreation Fund	Total Fund
ASSETS				
Current:				
Cash and short-term investments	\$ 6,465,882	\$ 574,602	\$ 406,558	\$ 7,447,042
User fees, net of allowance for uncollectibles	<u>816,239</u>	<u>712,635</u>	<u>-</u>	<u>1,528,874</u>
Total current assets	7,282,121	1,287,237	406,558	8,975,916
Noncurrent:				
Capital Assets:				
Land and construction in progress	2,115,683	-	274,747	2,390,430
Other capital assets, net of accumulated depreciation	<u>37,286,081</u>	<u>520,441</u>	<u>273,788</u>	<u>38,080,310</u>
Total noncurrent assets	39,401,764	520,441	548,535	40,470,740
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	<u>103,594</u>	<u>20,999</u>	<u>80,495</u>	<u>205,088</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	46,787,479	1,828,677	1,035,588	49,651,744
LIABILITIES				
Current:				
Warrants payable	80,062	36,533	35,283	151,878
Accrued liabilities	96,673	73	-	96,746
Bonds payable	1,198,588	45,000	-	1,243,588
Other	<u>6,165</u>	<u>1,647</u>	<u>1,218</u>	<u>9,030</u>
Total current liabilities	1,381,488	83,253	36,501	1,501,242
Noncurrent:				
Bonds payable, net of current portion	8,327,716	-	-	8,327,716
Net pension liability	782,988	158,714	608,403	1,550,105
Net OPEB obligation	68,020	157,760	574,851	800,631
Other, net of current portion	<u>117,126</u>	<u>31,284</u>	<u>23,138</u>	<u>171,548</u>
Total noncurrent liabilities	9,295,850	347,758	1,206,392	10,850,000
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	10,677,338	431,011	1,242,893	12,351,242
NET POSITION				
Net investment in capital assets	30,096,541	475,441	548,535	31,120,517
Unrestricted	<u>6,013,600</u>	<u>922,225</u>	<u>(755,840)</u>	<u>6,179,985</u>
TOTAL NET POSITION	<u>\$ 36,110,141</u>	<u>\$ 1,397,666</u>	<u>\$ (207,305)</u>	<u>\$ 37,300,502</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities Enterprise Fund			
	Water Fund	Ambulance Fund	Recreation Fund	Total Fund
Operating Revenues:				
Charges for services	\$ 3,919,515	\$ 1,047,779	\$ 1,182,342	\$ 6,149,636
Other	<u>75,761</u>	<u>-</u>	<u>-</u>	<u>75,761</u>
Total Operating Revenues	3,995,276	1,047,779	1,182,342	6,225,397
Operating Expenses:				
Salaries and benefits	1,570,721	807,783	1,303,029	3,681,533
Other operating expenses	2,035,717	510,325	138,101	2,684,143
Depreciation	<u>1,541,339</u>	<u>77,110</u>	<u>25,522</u>	<u>1,643,971</u>
Total Operating Expenses	<u>5,147,777</u>	<u>1,395,218</u>	<u>1,466,652</u>	<u>8,009,647</u>
Operating Income (Loss)	(1,152,501)	(347,439)	(284,310)	(1,784,250)
Nonoperating Revenues (Expenses):				
Intergovernmental revenue	230,972	-	-	230,972
Investment income	9,435	1,573	8,286	19,294
Interest expense	<u>(218,861)</u>	<u>(1,728)</u>	<u>-</u>	<u>(220,589)</u>
Total Nonoperating Revenues (Expenses), Net	<u>21,546</u>	<u>(155)</u>	<u>8,286</u>	<u>29,677</u>
Net Income or Loss Before Transfers	(1,130,955)	(347,594)	(276,024)	(1,754,573)
Transfers:				
Transfers in	<u>61,451</u>	<u>524,333</u>	<u>110,969</u>	<u>696,753</u>
Change in Net Position	(1,069,504)	176,739	(165,055)	(1,057,820)
Net Position at Beginning of Year, as restated	<u>37,179,645</u>	<u>1,220,927</u>	<u>(42,250)</u>	<u>38,358,322</u>
Net Position at End of Year	<u>\$ 36,110,141</u>	<u>\$ 1,397,666</u>	<u>\$ (207,305)</u>	<u>\$ 37,300,502</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities Enterprise Funds			
	Water Fund	Ambulance Fund	Recreation Fund	Total
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 4,079,067	\$ 952,205	\$ 1,182,342	\$ 6,213,614
Payments to vendors and employees	<u>(2,673,530)</u>	<u>(1,263,898)</u>	<u>(1,368,940)</u>	<u>(5,306,368)</u>
Net Cash Provided By (Used For) Operating Activities	1,405,537	(311,693)	(186,598)	907,246
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Acquisition, construction, and disposition of capital assets	(259,767)	(258,196)	-	(517,963)
Payments on bond and notes	(1,134,662)	(45,000)	-	(1,179,662)
Interest expense	(218,861)	(1,728)	-	(220,589)
Intergovernmental revenue	<u>230,972</u>	<u>-</u>	<u>-</u>	<u>230,972</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,382,318)	(304,924)	-	(1,687,242)
<u>Cash Flows From Noncapital Financing Activities:</u>				
Transfers in	<u>61,451</u>	<u>524,333</u>	<u>110,969</u>	<u>696,753</u>
Net Cash Provided By Noncapital Financing Activities	61,451	524,333	110,969	696,753
<u>Cash Flows From Investing Activities:</u>				
Investment income	<u>9,435</u>	<u>1,573</u>	<u>8,286</u>	<u>19,294</u>
Net Cash Provided By (Used For) Investing Activities	<u>9,435</u>	<u>1,573</u>	<u>8,286</u>	<u>19,294</u>
Net Change in Cash and Short-Term Investments	94,105	(90,711)	(67,343)	(63,949)
Cash and Short-Term Investments, Beginning of Year	<u>6,371,777</u>	<u>665,313</u>	<u>473,901</u>	<u>7,510,991</u>
Cash and Short-Term Investments, End of Year	<u>\$ 6,465,882</u>	<u>\$ 574,602</u>	<u>\$ 406,558</u>	<u>\$ 7,447,042</u>
<u>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:</u>				
Operating income (loss)	\$ (1,152,501)	\$ (347,439)	\$ (284,310)	\$ (1,784,250)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,541,339	77,110	25,522	1,643,971
Changes in assets, liabilities, and deferred outflows/inflows:				
Receivables	83,791	(95,574)	-	(11,783)
Warrants payable	(13,198)	21,092	4,885	12,779
Other assets	798,439	(10,295)	-	788,144
Deferred outflows - related to pensions	(50,790)	-	(39,465)	(90,255)
Compensated absences	13,291	1,994	(18,908)	(3,623)
Net OPEB obligation	68,020	24,780	61,894	154,694
Accrued liabilities	35,058	-	-	35,058
Net pension liability	<u>82,088</u>	<u>16,639</u>	<u>63,784</u>	<u>162,511</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 1,405,537</u>	<u>\$ (311,693)</u>	<u>\$ (186,598)</u>	<u>\$ 907,246</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	<u>Agency Funds</u>	<u>Other Post-Employment Benefits Trust Fund</u>
ASSETS		
Cash and short-term investments	\$ 972,690	\$ -
Investments	-	3,559,028
Departmental receivables	<u>211,272</u>	<u>-</u>
Total Assets	1,183,962	3,559,028
 LIABILITIES AND NET POSITION		
Warrants payable	33,537	-
Escrow deposits	<u>1,150,425</u>	<u>-</u>
Total Liabilities	<u>1,183,962</u>	<u>-</u>
 NET POSITION		
Total net position held in trust	<u><u>\$ -</u></u>	<u><u>\$ 3,559,028</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	Other Post-Employment Benefits Trust <u>Fund</u>
Additions:	
Employer contributions	\$ 3,162,513
Interest income	<u>152,264</u>
Total additions	3,314,777
Deductions:	
Benefit payments to plan members and beneficiaries	<u>2,042,259</u>
Total deductions	<u>2,042,259</u>
Net increase	1,272,518
Net position:	
Beginning of year, as restated	<u>2,286,510</u>
End of year	<u>\$ 3,559,028</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Westford (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2017, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *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 or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-wide Financial Statements

The government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *community preservation fund* accounts for funds used for the acquisition, creation, and preservation of open space historic resources, and community housing.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports the following major proprietary funds:

- Water operations
- Ambulance operations
- Recreation operations

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

The Government reports the following fiduciary funds:

- The *other post-employment benefit trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds, and short-term money market investments. Investments are carried at fair value.

F. Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2017 tax levy reflected an excess capacity of \$36,066.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

H. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and

disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the reserve fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The general fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of

the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 113,432,541	\$ 113,056,619
Other financing sources/uses (GAAP basis)	<u>22,500</u>	<u>696,753</u>
Subtotal (GAAP Basis)	113,455,041	113,753,372
Adjust tax revenue to accrual basis	(742,657)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(3,563,839)
Add end-of-year appropriation carryforwards from expenditures	-	3,720,485
To record use of free cash	3,452,539	-
To record use of designated fund balance	26,907	-
To remove unbudgeted stabilization fund	(69,015)	500,000
To reverse the effect of non-budgeted State contributions for teachers retirement	(12,440,216)	(12,440,216)
Other reclassifications	<u>2,268,891</u>	<u>1,007,132</u>
Budgetary basis	<u>\$ 105,951,490</u>	<u>\$ 102,976,934</u>

D. Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2017.

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking

company for such excess.” The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2017, \$16,317,503 of the Town’s bank balances of \$31,304,854 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town’s investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the actual rating as of year-end for each investment of the Town (in thousand). (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>			
				<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Bbb</u>
U.S. Treasury notes	\$ 10,942	N/A	\$ 10,942	\$ -	\$ -	\$ -	\$ -
Certificates of deposits	4,680		-	4,680	-	-	-
Corporate bonds	3,728		-	-	449	672	2,607
Corporate equities	4,511	N/A	4,511	-	-	-	-
Mutual funds	2,008	N/A	2,008	-	-	-	-
Federal agency securities	<u>3,636</u>		-	<u>3,636</u>	-	-	-
Total investments	<u>\$ 29,505</u>		<u>\$ 17,461</u>	<u>\$ 8,316</u>	<u>\$ 449</u>	<u>\$ 672</u>	<u>\$ 2,607</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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 policies for custodial credit risk. The Town manages this risk through the use of SIPIC and excess SIPIC insurance coverage.

The government has a custodial credit risk exposure of \$29,505,082 because the related securities are uninsured, unregistered and held by the Town’s brokerage firm, which is also the Counterparty to these securities.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. treasuries, government agency securities, and mutual funds) that represent 5% or more of the total investments are as follows: (in thousands)

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Certificates of deposit	\$ 4,680,158	16%
Equities	\$ 4,510,956	15%
Corporate bonds	\$ 3,727,512	13%

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>					<u>N/A</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>		
Debt Related Securities:							
U.S. Treasury notes	\$ 10,942	\$ 1,348	\$ 7,954	\$ 1,640	\$ -	\$ -	
Certificates of deposit	4,680	1,080	3,600	-	-	-	
Corporate bonds	3,728	794	2,934	-	-	-	
Corporate equities	4,511	-	-	-	-	4,511	
Mutual funds	2,008	-	-	-	-	2,008	
Federal agency securities	3,636	3	3,602	-	31	-	
Total	<u>\$ 29,505</u>	<u>\$ 3,225</u>	<u>\$ 18,090</u>	<u>\$ 1,640</u>	<u>\$ 31</u>	<u>\$ 6,519</u>	

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

F. Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the 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. All of the Town's investments are classified as Level 1, except certificates of deposit which are reported at cost.

5. Taxes and Excises Receivables

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

The day after the final tax bill is due, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Boat excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

Taxes and excise receivables at June 30, 2017 consist of the following (in thousands):

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 696,196	\$ (47,563)	\$ 648,633
Personal property taxes	40,328	(10,169)	30,159
Tax liens	<u>560,784</u>	<u>(56,079)</u>	<u>504,705</u>
Total property taxes	1,297,308	(113,811)	1,183,497
Motor vehicle excise	<u>283,266</u>	<u>(30,225)</u>	<u>253,041</u>
Grand total	<u>\$ 1,580,574</u>	<u>\$ (144,036)</u>	<u>\$ 1,436,538</u>

6. User Fee Receivables

Receivables for user charges and betterments at June 30, 2017 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Water	\$ 841,239	\$ (25,000)	\$ 816,239
Ambulance	<u>762,807</u>	<u>(50,172)</u>	<u>712,635</u>
Total	<u>\$ 1,604,046</u>	<u>\$ (75,172)</u>	<u>\$ 1,528,874</u>

7. Interfund Fund Transfers

The Town reports interfund transfers between various funds. Most transfers results from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 22,500	\$ 696,753
Major Fund CPA	-	190,000
Nonmajor Funds:		
Special Revenue Funds	-	22,500
Trust Funds	<u>190,000</u>	<u>-</u>
Subtotal Nonmajor Funds	190,000	22,500
<u>Business-Type Funds:</u>		
Water Fund	61,451	-
Ambulance Fund	524,333	-
Recreation Fund	<u>110,969</u>	<u>-</u>
Subtotal Business-Type Funds:	<u>696,753</u>	<u>-</u>
Grand Total	<u>\$ 909,253</u>	<u>\$ 909,253</u>

The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

8. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 144,734	\$ -	\$ -	\$ 144,734
Machinery, equipment, and furnishings	35,734	1,753	(178)	37,309
Infrastructure	<u>132,028</u>	<u>908</u>	<u>-</u>	<u>132,936</u>
Total capital assets, being depreciated	312,496	2,661	(178)	314,979
Less accumulated depreciation for:				
Buildings and improvements	(56,685)	(3,386)	-	(60,071)
Machinery, equipment, and furnishings	(17,456)	(1,836)	178	(19,114)
Infrastructure	<u>(55,688)</u>	<u>(3,270)</u>	<u>-</u>	<u>(58,958)</u>
Total accumulated depreciation	<u>(129,829)</u>	<u>(8,492)</u>	<u>178</u>	<u>(138,143)</u>
Total capital assets, being depreciated, net	182,667	(5,831)	-	176,836
Capital assets, not being depreciated:				
Land	31,914	-	-	31,914
Construction in progress	<u>10,725</u>	<u>736</u>	<u>-</u>	<u>11,461</u>
Total capital assets, not being depreciated	<u>42,639</u>	<u>736</u>	<u>-</u>	<u>43,375</u>
Governmental activities capital assets, net	<u>\$ 225,306</u>	<u>\$ (5,095)</u>	<u>\$ -</u>	<u>\$ 220,211</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 16,739	\$ -	\$ -	\$ 16,739
Machinery, equipment, and furnishings	2,750	406	(104)	3,052
Infrastructure	<u>42,205</u>	<u>112</u>	<u>-</u>	<u>42,317</u>
Total capital assets, being depreciated	61,694	518	(104)	62,108
Less accumulated depreciation for:				
Buildings and improvements	(7,619)	(649)	-	(8,268)
Machinery, equipment, and furnishings	(1,879)	(172)	104	(1,947)
Infrastructure	<u>(12,989)</u>	<u>(823)</u>	<u>-</u>	<u>(13,812)</u>
Total accumulated depreciation	<u>(22,487)</u>	<u>(1,644)</u>	<u>104</u>	<u>(24,027)</u>
Total capital assets, being depreciated, net	39,207	(1,126)	-	38,081
Capital assets, not being depreciated:				
Land	<u>2,390</u>	<u>-</u>	<u>-</u>	<u>2,390</u>
Total capital assets, not being depreciated	<u>2,390</u>	<u>-</u>	<u>-</u>	<u>2,390</u>
Business-type activities capital assets, net	<u>\$ 41,597</u>	<u>\$ (1,126)</u>	<u>\$ -</u>	<u>\$ 40,471</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 135
Public safety	499
Education	3,840
Public works	3,787
Culture and recreation	59
Health and Human Services	<u>172</u>
Total depreciation expense - governmental activities	<u>\$ 8,492</u>
Business-Type Activities:	
Water	\$ 1,541
Ambulance	77
Recreation	<u>26</u>
Total depreciation expense - business-type activities	<u>\$ 1,644</u>

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions, in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, are more fully discussed in Note 17.

10. Warrants Payable

Warrants payable represent 2017 expenditures paid by July 15, 2017.

11. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

12. Anticipation Notes Payable

The Town had the following notes outstanding at June 30, 2017:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/17</u>
Drainage Master Plan	0.90%	11/15/16	10/12/17	\$ 90,000
Intersection Design	0.90%	11/15/16	10/12/17	70,000
Intersection Planning	0.90%	11/15/16	10/12/17	85,000
Plain Road Sidewalk	0.90%	11/15/16	10/12/17	25,000
School Window Project	0.90%	11/15/16	10/12/17	1,000,000
Municipal Purpose Loan	1.15%	06/01/17	12/07/17	<u>2,580,725</u>
Total				<u>\$ 3,850,725</u>

The following summarizes activity in notes payable during fiscal year 2017:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
General purpose	\$ 4,425,000	\$ -	\$ (4,425,000)	\$ -
Drainage Master Plan	-	90,000	-	90,000
Intersection Design	-	70,000	-	70,000
Intersection Planning	-	85,000	-	85,000
Plain Road Sidewalk	-	25,000	-	25,000
School Window Project	-	1,000,000	-	1,000,000
Municipal Purpose Loan	-	2,580,725	-	2,580,725
Total	<u>\$ 4,425,000</u>	<u>\$ 3,850,725</u>	<u>\$ (4,425,000)</u>	<u>\$ 3,850,725</u>

13. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

	Serial	Interest	Amount
<u>Governmental Activities:</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
	<u>Through</u>		<u>as of</u>
			<u>6/30/17</u>
Title V	08/01/19	0.00%	\$ 12,042
Elementary school construction	06/01/22	4.14%	6,830,000
Elementary school construction	12/01/22	4.49%	1,555,000
Middle school construction	06/01/22	4.14%	6,505,000
Middle school construction	12/01/22	4.49%	1,480,000
Highway garage	06/01/18	3.68%	50,000
East Boston camps CPA	04/01/19	4.0 - 5.5%	1,460,000
Academy refunding	06/30/20	4.00%	3,965,000
Town Hall	04/15/10	3.68%	1,500,000
Senior center	11/15/09	3.47%	2,600,000
Elevator 2013	06/01/23	1.40%	270,000
Sweeper 2013	06/01/18	0.88%	40,000
Police communications 2013	06/01/22	1.29%	100,000
Boiler 2013	06/01/22	1.29%	50,000
Sewer refunding 2013	06/01/19	0.96%	185,000
Highway refunding 2014	04/25/24	1.54%	4,000,000
School 2016	06/30/37	2.08%	2,000,000
Dispatch center 2016	06/30/37	2.07%	1,029,000
Total Governmental Activities:			<u>\$ 33,631,042</u>

	Serial	Interest	Amount
<u>Business-Type Activities:</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
<u>Water Enterprise</u>	<u>Through</u>		<u>as of</u>
			<u>6/30/17</u>
Filtration plant - MWPAT	02/01/21	1.11%	\$ 590,000
MWPAT	08/01/22	1.13%	4,275,000
Water bonds	09/15/23	3.60%	217,000
Water bonds	09/15/23	3.60%	183,000
Water bonds	04/01/18	3.01%	100,000
MWPAT DW 08-16	07/15/30	2.00%	167,348
MWPAT DW 09-07	07/15/30	2.00%	1,392,956
2013 Water bond	06/01/33	2.36%	1,250,000
2013 Water bond	06/01/33	2.36%	455,000
Water Graniteville 2016	06/30/37	2.08%	398,000
Water Pleasant 2016	06/30/37	2.08%	498,000
Total Water:			<u>9,526,304</u>
<u>Ambulance Enterprise</u>			
Ambulance 2013	06/01/18	0.88%	<u>45,000</u>
Total Business-Type Activities:			<u>\$ 9,571,304</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2017 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 5,938,014	\$ 1,290,716	\$ 7,228,730
2019	5,914,014	1,073,806	6,987,820
2020	5,144,014	826,624	5,970,638
2021	3,945,000	605,786	4,550,786
2022	4,055,000	455,162	4,510,162
2023 - 2027	6,235,000	645,000	6,880,000
2028 - 2032	1,650,000	193,125	1,843,125
Thereafter	750,000	54,451	804,451
Total	<u>\$ 33,631,042</u>	<u>\$ 5,144,670</u>	<u>\$ 38,775,712</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,243,588	\$ 177,192	\$ 1,420,780
2019	1,134,553	150,954	1,285,507
2020	1,141,558	130,333	1,271,891
2021	1,173,602	109,069	1,282,671
2022	1,045,690	89,795	1,135,485
2023 - 2027	2,176,243	287,795	2,464,038
2028 - 2032	1,301,070	132,910	1,433,980
Thereafter	355,000	20,233	375,233
Total	<u>\$ 9,571,304</u>	<u>\$ 1,098,281</u>	<u>\$ 10,669,585</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/16</u>	Additions	Reductions	Total Balance <u>6/30/17</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/17</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 36,286	\$ 3,029	\$ (5,684)	\$ 33,631	\$ (5,938)	\$ 27,693
Unamortized premium	75	-	(18)	57	(16)	41
Subtotal	36,361	3,029	(5,702)	33,688	(5,954)	27,734
Net pension liability	45,971	5,383	-	51,354	-	51,354
Net OPEB obligation	36,894	3,070	-	39,964	-	39,964
Other:						
Compensated absences	1,583	-	(35)	1,548	(77)	1,471
Subtotal - other	1,583	-	(35)	1,548	(77)	1,471
Totals	<u>\$ 120,809</u>	<u>\$ 11,482</u>	<u>\$ (5,737)</u>	<u>\$ 126,554</u>	<u>\$ (6,031)</u>	<u>\$ 120,523</u>

<u>Business-Type Activities</u>						
Bonds payable	\$ 9,851	\$ 896	\$ (1,175)	\$ 9,572	\$ (1,244)	\$ 8,328
Net pension liability	1,388	162	-	1,550	-	1,550
Net OPEB liability	646	155		801	-	801
Other:						
Compensated absences	184	-	(3)	181	(9)	172
Subtotal - other	184	-	(3)	181	(9)	172
Totals	\$ 12,069	\$ 1,213	\$ (1,178)	\$ 12,104	\$ (1,253)	\$ 10,851

14. **Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Town reports two items as deferred inflows of resources: one which is attributable to changes in the net pension liability, and the other which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 17. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

15. **Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2017:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, stabilization funds and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2017:

	General Fund	CPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 683,682	\$ 683,682
Total Nonspendable	-	-	683,682	683,682
Restricted				
Reserve for debt service	8,927,435	-	-	8,927,435
Capital project funds	-	-	1,392,563	1,392,563
Special revenue funds	-	-	5,462,673	5,462,673
Expendable permanent funds	-	-	1,771,135	1,771,135
Total Restricted	8,927,435	-	8,626,371	17,553,806
Committed				
Reserve for continuing appropriations				
General government	665,405	-	-	665,405
Public safety	109,880	-	-	109,880
Education	107,002	-	-	107,002
Public works	1,216,280	-	-	1,216,280
Health and human services	30,000	-	-	30,000
Culture and recreation	138,387	-	-	138,387
Health stabilization	544,885	-	-	544,885
Capital stabilization	1,217,294	-	-	1,217,294
Community preservation act funds	-	6,093,901	-	6,093,901
Total Committed	4,029,133	6,093,901	-	10,123,034
Assigned				
Reserved for encumbrances				
General government	319,658	-	-	319,658
Public safety	50,207	-	-	50,207
Education	1,005,494	-	-	1,005,494
Public works	32,551	-	-	32,551
Health and human services	926	-	-	926
Culture and recreation	4,694	-	-	4,694
Employment Benefits	50,000	-	-	50,000
Reserved for petty cash	6,000	-	-	6,000
Total Assigned	1,469,530	-	-	1,469,530
Unassigned				
General fund	5,872,191	-	-	5,872,191
General stabilization	5,344,593	-	-	5,344,593
Special revenue funds	-	-	(50,168)	(50,168)
Capital project funds	-	-	(1,661,238)	(1,661,238)
Total Unassigned	11,216,784	-	(1,711,406)	9,505,378
Total Fund Balances	\$ 25,642,882	\$ 6,093,901	\$ 7,598,647	\$ 39,335,430

16. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

Massachusetts general laws include provisions to allow municipalities to over-expend certain appropriations if they are incurred in an emergency situation and for the safety of the public. The most common example involves the “snow and ice” appropriation. All such overexpenditures, however, must be funded in the subsequent year’s tax rate.

Massachusetts General Laws require that non-property tax revenue budget short-falls, net of appropriation turnbacks, be funded in the subsequent year. The same treatment is also applied to the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay).

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 11,216,784
Stabilization	(5,344,593)
Tax refund estimate	<u>801,000</u>
Statutory (UMAS) Balance	\$ <u><u>6,673,191</u></u>

17. Retirement System – Middlesex County Retirement System

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees’ retirement funds.

A. Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Middlesex County Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board

does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 10 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

If a participant was a member prior to February 2012, a retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4, have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Participants Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2017 was \$4,238,879, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

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 System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized

when due and payable in accordance with benefit terms. Investments are reported at fair value.

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

June 30, 2016, the Town's proportion was 3.733888% percent. At June 30, 2017, the Town reported a liability of \$52,904,581 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. 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 employers, actuarially determined. At

For the year ended June 30, 2017, the Town recognized pension expense of \$6,353,588. In addition, the Town reported deferred outflows of resources of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 238,265
Changes of assumptions	2,882,584
Net difference between projected and actual earnings on pension plan investments	2,196,487
Changes in proportion and differences between contributions and proportionate share of contributions	<u>1,682,233</u>
Total	<u>\$ 6,999,569</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 1,987,296
2019	1,987,296
2020	1,949,426
2021	<u>1,075,551</u>
Total	<u>\$ 6,999,569</u>

D. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2016:

COLA	3% of the first \$14,000
Salary increases	4.25%
Investment rate of return	7.75%

Pre-retirement and healthy retiree mortality rates were based on the RP-2000 mortality table projected generationally from 2009 with Scale BB2D. Disabled retiree mortality rates were based on RP-2000 healthy annuitant mortality table projected generationally from 2015 with Scale BB2D.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	18.0%	6.44%
International developed markets equity	16.0%	7.40%
International emerging markings equity	6.0%	9.42%
Core fixed income	13.0%	2.02%
High-yield fixed income	10.0%	4.43%
Real estate	10.0%	5.00%
Commodities	4.0%	4.43%
Hedge fund, GTAA, risk parity	13.0%	3.75%
Private equity	10.0%	10.47%
Total	<u>100.0%</u>	

E. 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

the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive 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.

F. Sensitivity of the 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 calculated using the discount rate of 7.75 percent, 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 (6.75%) or 1 percentage-point higher (8.75%) than the current rate:

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$ 63,887,087	\$ 52,904,581	\$ 43,622,866

G. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report.

18. Massachusetts Teachers’ Retirement System (MTRS)

A. Plan Description

The Massachusetts Teachers’ Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth’s reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers’ Retirement Board (MTRB), which consists of seven members—two elected by the

MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

B. Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member’s highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member’s age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS’ funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

C. Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

D. Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. This valuation used the following assumptions:

- (a) 7.50% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct).
 - Post-retirement – reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct).
 - Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2014 set forward 4 years.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return 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. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	40.0%	6.9%
Core fixed income	13.0%	1.6%
Private equity	10.0%	8.7%
Real estate	10.0%	4.6%
Value added fixed income	10.0%	4.8%
Hedge Funds	9.0%	4.0%
Portfolio completion strategies	4.0%	3.6%
Timber/natural resources	4.0%	5.4%
Total	<u>100.0%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the 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.

F. Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

<u>1% Decrease to 6.5%</u>	<u>Current Discount Rate 7.5%</u>	<u>1% Increase to 8.5%</u>
\$ 27,464,000	\$ 22,357,928	\$ 18,022,000

G. Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and the Commonwealth is a non-employer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

H. Town Proportions

In fiscal year 2017 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the Town was \$121,955,066 and \$12,440,216 respectively, based on a proportionate share of 0.545467%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expenditure in the general fund.

19. Other Post-Employment Benefits – OPEB (GASB 45)

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2016, the actuarial valuation date, approximately 272 retirees and 945 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 35% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2017 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2017, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2016.

Annual Required Contribution (ARC)	\$ 5,970,817
Interest on net OPEB obligation	2,289,511
Adjustment to ARC	<u>(1,332,254)</u>
Annual OPEB cost	6,928,074
Contributions made	<u>(2,904,566)</u>
Increase in net OPEB obligation	4,023,508
Net OPEB obligation - beginning of year	<u>36,741,344</u>
Net OPEB obligation - end of year	<u><u>\$ 40,764,852</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 6,928,074	42%	\$ 40,764,852
2016	\$ 6,304,573	40%	\$ 36,741,344
2015	\$ 6,031,866	48%	\$ 32,938,779

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2017 based on the July 1, 2016 actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 65,961,973
Actuarial value of plan assets	<u>(2,286,510)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 63,675,463</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>3.5%</u>
Covered payroll (active plan members)	<u>\$ 58,035,986</u>
UAAL as a percentage of covered payroll	<u><u>110%</u></u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of

plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the 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 Town 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.

In the July 1, 2016 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 11%, which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

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

In fiscal year 2011 the Town established an OPEB Trust fund to provide funding for future employee health care costs.

Investments

The OPEB Trust fund does not have a formal investment policy. At June 30, 2017, investments consisted of \$3,559,028. Concentration and rate of return information was not available.

Net OPEB Liability

The components of the net OPEB liability were as follows:

Total OPEB liability	\$ 83,134,715
Plan fiduciary net position	<u>3,559,027</u>
Net OPEB liability	<u><u>\$ 79,575,688</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 4.28%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3 percent, average, including inflation
Investment rate of return	5.29 percent, net of OPEB plan investment expense, including inflation

Pre-retirement mortality rates were based on the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females. Post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females. Disabled mortality rates were based on the RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females.

The mortality assumptions reflect PERAC's recent experience analysis published in 2014 (based on the years 2006 - 2011), updated to reflect data through January 1, 2015 for post-retirement mortality, and professional judgment. As such, mortality assumptions reflect observed current mortality as well as expected mortality improvements.

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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - large cap	46.75%	4.00%
Domestic equity - small cap	1.00%	6.00%
International equity - developed market	3.00%	4.50%
International equity - emerging market	0.50%	7.00%
Domestic fixed income	22.50%	2.00%
International fixed income	5.25%	3.00%
Alternatives	1.25%	6.50%
Real estate	0.00%	6.25%
Cash	19.75%	0.00%
Total	<u>100.00%</u>	

Discount rate. The discount rate used to measure the total OPEB liability was 4.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan member will be made at the current contribution rate. Based on those assumptions, the OPEB plan 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 net OPEB liability as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.75 percent) or 1-percentage-point higher (5.75 percent) than the current discount rate:

1% Decrease (3.75%)	Discount Rate (4.75%)	1% Increase (5.75%)
\$ 93,958,271	\$ 79,575,688	\$ 68,139,152

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4 percent) or 1-percentage-point higher (6 percent) than the current healthcare cost trend rates:

1% Decrease (4%)	Healthcare Cost Trend Rates (5%)	1% Increase (6%)
\$ 58,777,215	\$ 79,575,688	\$ 106,409,785

21. Commitments and Contingencies

Outstanding Legal Issues - On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

22. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, replacing requirements of Statements No. 45 and 57, effective for the Town beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB.

23. Beginning Fund Balance/Net Position Restatement

The beginning (July 1, 2016) fund balance/net position of the Town was restated as follows:

Government-Wide Financial Statements:

	Business-Type Activities Enterprise Funds
As previously reported	\$ 39,127,269
OPEB reclassification	<u>(768,947)</u>
As restated	<u>\$ 38,358,322</u>

Fund Basis Financial Statements:

	Water Enterprise Fund	Other Post-Employment Benefits Fiduciary Trust Fund
As previously reported	\$ 37,948,592	\$ 1,517,563
OPEB reclassification	<u>(768,947)</u>	<u>768,947</u>
As restated	<u>\$ 37,179,645</u>	<u>\$ 2,286,510</u>

TOWN OF WESTFORD, MASSACHUSETTS
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)

JUNE 30, 2017
(Unaudited)

Middlesex Regional Retirement System						
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2017	December 31, 2016	3.73%	\$52,904,581	\$ 24,100,833	219.51%	45.49%
June 30, 2016	December 31, 2015	3.67%	\$47,358,134	\$ 22,663,136	208.97%	46.13%
June 30, 2015	December 31, 2015	3.58%	\$42,997,563	\$ 21,791,477	197.31%	47.65%

Massachusetts Teachers' Retirement System								
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2017	June 30, 2016	0.545467%	\$ -	\$ 121,955,066	\$ 121,955,066	\$ 35,878,937	-	52.73%
June 30, 2016	June 30, 2015	0.544034%	\$ -	\$ 111,470,624	\$ 111,470,624	\$ 34,485,706	-	55.38%
June 30, 2015	June 30, 2014	0.530452%	\$ -	\$ 84,322,583	\$ 84,322,583	\$ 32,524,633	-	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF WESTFORD, MASSACHUSETTS

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

**JUNE 30, 2017
(Unaudited)**

Middlesex Regional Retirement System

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2017	\$ 4,238,879	\$ 4,238,879	\$ -	\$ 24,100,833	17.59%
June 30, 2016	\$ 3,993,806	\$ 3,993,806	\$ -	\$ 22,663,136	17.62%
June 30, 2015	\$ 3,808,963	\$ 3,808,963	\$ -	\$ 21,791,477	17.48%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

**TOWN OF WESTFORD, MASSACHUSETTS
SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)**

**June 30, 2017
(Unaudited)**

Other Post-Employment Benefits

<u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
07/01/16	\$ 2,286,510	\$ 65,961,973	\$ 63,675,463	3.5%	\$ 58,035,986	109.7%
07/01/15	\$ 1,480,133	\$ 59,530,723	\$ 58,050,590	2.5%	\$ 55,800,298	104.0%
07/01/14	\$ 223,205	\$ 55,878,110	\$ 55,654,905	0.4%	\$ 54,175,047	102.7%
07/01/13	\$ 206,207	\$ 76,840,479	\$ 76,634,272	0.3%	\$ 51,315,046	149.3%
07/01/12	\$ 102,122	\$ 72,027,785	\$ 71,925,663	0.1%	\$ 49,820,433	144.4%
07/01/11	\$ -	\$ 70,683,695	\$ 70,683,695	0.0%	\$ 51,125,535	138.3%

See Independent Auditors' Report.

**TOWN OF WESTFORD, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Schedule of Changes in the Net OPEB Liability (GASB 74)

(Unaudited)

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 3,379,477
Interest on unfunded liability - time value of \$	3,932,112
Differences between expected and actual experience	(2,545,735)
Benefit payments, including refunds of member contributions	<u>(2,042,259)</u>
Net change in total OPEB liability	2,723,595
Total OPEB liability - beginning	<u>80,411,120</u>
Total OPEB liability - ending (a)	<u>\$ 83,134,715</u>
 Plan fiduciary net position	
Contributions - employer	\$ 3,162,513
Net investment income	152,263
Benefit payments, including refunds of member contributions	<u>(2,042,259)</u>
Net change in plan fiduciary net position	1,272,517
Plan fiduciary net position - beginning	<u>2,286,510</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,559,027</u>
 Net OPEB liability (asset) - ending (a-b)	<u>\$ 79,575,688</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

See Independent Auditors' Report.

**TOWN OF WESTFORD, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74)

(Unaudited)

Schedule of Net OPEB Liability

	<u>2017</u>
Total OPEB liability	\$ 83,134,715
Plan fiduciary net position	<u>3,559,027</u>
Net OPEB liability (asset)	<u><u>\$ 79,575,688</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	4.28%
Covered payroll	\$ 57,373,661
Participating employer net OPEB liability (asset) as a percentage of covered payroll	138.70%

Schedule of Contributions

	<u>2017</u>
Actuarially determined contribution	\$ 3,162,513
Contributions in relation to the actuarially determined contribution	<u>3,162,513</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Covered payroll	\$ 57,373,661
Contributions as a percentage of covered payroll	5.51%

Schedule of Investment Returns

	<u>2017</u>
Annual money weighted rate of return, net of investment expense	14.69%

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Additional years will be displayed as they become available.*

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

See Independent Auditors' Report.