

**TOWN OF WESTFORD, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2018**

**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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in 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 62 to 65 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 February 4, 2019 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 solely to describe the scope of our testing of internal control over financial reporting

and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's 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*

February 4, 2019

## **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, 2018.

### **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 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, which is considered to be a major fund, and ambulance and recreation, which are considered to be nonmajor 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 \$146,764,221 (i.e., net position), a change of \$(6,891,499) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$34,573,416, a change of \$(4,762,014) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,253,727, a change of \$36,943 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 55,073	\$ 48,565	\$ 8,916	\$ 8,976	\$ 63,989	\$ 57,541
Capital assets	<u>228,410</u>	<u>220,211</u>	<u>41,344</u>	<u>40,471</u>	<u>269,754</u>	<u>260,682</u>
Total assets	283,483	268,776	50,260	49,447	333,743	318,223
Deferred outflow of resources	15,846	6,794	478	205	16,324	6,999
Current liabilities	25,423	120,523	3,343	10,851	28,766	131,374
Noncurrent liabilities	<u>160,680</u>	<u>13,815</u>	<u>11,204</u>	<u>1,500</u>	<u>171,884</u>	<u>15,315</u>
Total liabilities	186,103	134,338	14,547	12,351	200,650	146,689
Deferred inflows of resources	2,576	-	76	-	2,652	-
Net position:						
Net investment in capital assets	194,648	186,312	32,318	31,121	226,966	217,433
Restricted	14,725	7,085	-	-	14,725	7,085
Unrestricted	<u>(98,723)</u>	<u>(52,165)</u>	<u>3,797</u>	<u>6,180</u>	<u>(94,926)</u>	<u>(45,985)</u>
Total net position	\$ <u>110,650</u>	\$ <u>141,232</u>	\$ <u>36,115</u>	\$ <u>37,301</u>	\$ <u>146,765</u>	\$ <u>178,533</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 \$146,764,221, a change of \$(6,891,499) from the prior year.

The largest portion of net position \$226,965,140 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, \$14,725,474, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position deficit of \$(94,926,393) caused by unfunded pension and OPEB liabilities, as discussed in Notes 18 and 20.

	<u>CHANGES IN NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,651	\$ 6,710	\$ 5,966	\$ 6,149	\$ 12,617	\$ 12,859
Operating grants and contributions	35,464	35,746	-	-	35,464	35,746
Capital grants and contributions	1,277	1,055	-	-	1,277	1,055
General revenues:						
Property taxes	76,151	74,183	-	-	76,151	74,183
Excises	5,054	3,740	-	-	5,054	3,740
Penalties and interest on taxes	276	1,580	-	-	276	1,580
Grants and contributions not restricted to specific programs	2,234	2,163	-	-	2,234	2,163
Intergovernmental	-	-	-	231	-	231
Investment income	(18)	226	38	19	20	245
Other	1,898	1,546	459	75	2,357	1,621
Total revenues	<u>128,987</u>	<u>126,949</u>	<u>6,463</u>	<u>6,474</u>	<u>135,450</u>	<u>133,423</u>
Expenses:						
General government	8,420	8,217	-	-	8,420	8,217
Public safety	22,044	18,040	-	-	22,044	18,040
Education	82,166	84,327	-	-	82,166	84,327
Public works	12,637	11,410	-	-	12,637	11,410
Health and human services	2,866	2,412	-	-	2,866	2,412
Culture and recreation	4,915	4,428	-	-	4,915	4,428
Interest on long-term debt	1,487	1,774	-	-	1,487	1,774
Intergovernmental	555	503	-	-	555	503
Water services	-	-	4,344	5,364	4,344	5,364
Nonmajor enterprise funds	-	-	2,925	2,864	2,925	2,864
Total expenses	<u>135,090</u>	<u>131,111</u>	<u>7,269</u>	<u>8,228</u>	<u>142,359</u>	<u>139,339</u>

(continued)

(continued)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Change in net position before transfers	(6,103)	(4,162)	(806)	(1,754)	(6,909)	(5,916)
Permanent fund contributions	1	-	-	-	1	-
Transfers in (out)	<u>(749)</u>	<u>(697)</u>	<u>766</u>	<u>697</u>	<u>17</u>	<u>-</u>
Change in net position	(6,851)	(4,859)	(40)	(1,057)	(6,891)	(5,916)
<sup>1</sup> Net position - beginning of year, as restated	<u>117,501</u>	<u>146,091</u>	<u>36,155</u>	<u>38,358</u>	<u>153,656</u>	<u>184,449</u>
Net position - end of year	<u>\$ 110,650</u>	<u>\$ 141,232</u>	<u>\$ 36,115</u>	<u>\$ 37,301</u>	<u>\$ 146,765</u>	<u>\$ 178,533</u>

<sup>1</sup>Restated from the prior year as described in Note 24.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(6,850,575). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (2,193,476)
Major special revenue fund change in fund balance	973,286
Major capital project fund change in fund balance (accrual basis)	(2,737,171)
Nonmajor funds change in fund balance (accrual basis)	(804,653)
Depreciation expense in excess of principal debt service	(2,730,996)
Other	<u>642,435</u>
Total	<u>\$ (6,850,575)</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$(40,924). Key elements of this change are as follows:

Water enterprise	\$ 154,273
Nonmajor enterprise	<u>(195,197)</u>
Total	<u>\$ (40,924)</u>

#### **D. FINANCIAL ANALYSIS OF 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 \$34,573,416, a change of \$(4,762,014) in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ (2,193,476)
Community preservation act fund	973,286
Roudenbush rehabilitation fund	(2,737,171)
Nonmajor funds	<u>(804,653)</u>
Total	<u>\$ (4,762,014)</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 \$11,253,727, while total fund balance was \$23,449,406. 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>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance*	\$ 11,253,727	\$ 11,216,784	\$ 36,943	10.1%
Total fund balance	\$ 23,449,406	\$ 25,642,882	\$ (2,193,476)	21.1%

\*These figures include the general stabilization fund

The total fund balance of the general fund changed by \$(2,193,476) during the current fiscal year. Key factors in this change are as follows:

Revenue in excess of budget	\$ 1,394,441
Expenditures less than budget	1,974,057
Use of free cash and overlay surplus	(2,991,505)
Use of designated fund balance	(23,001)
Change in stabilization fund	(295,468)
Expenditure timing difference	(481,874)
Shortfall of tax collections	(409,209)
Use of restricted debt service fund balance	(1,318,440)
Change in fair market value of investments	<u>(42,477)</u>
Total	<u>\$ (2,193,476)</u>

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

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
General stabilization	\$ 5,302,998	\$ 5,344,593	\$ (41,595)
Health stabilization	641,275	544,885	96,390
Capital stabilization	<u>867,031</u>	<u>1,217,294</u>	<u>(350,263)</u>
Total	<u>\$ 6,811,304</u>	<u>\$ 7,106,772</u>	<u>\$ (295,468)</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 \$3,796,551, a change of \$(2,383,434) in comparison to the prior year. This decrease is primary due to the implementation of *Governmental Accounting Standards Board Statement No. 75* as discussed in Note 24.

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**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$3,548,334. Major reasons for these amendments include:

- \$670,317 to supplement the fiscal year 2018 operating budget
- \$140,000 to be transferred to stabilization fund
- \$1,607,795 for capital appropriations
- \$1,130,222 for indirect costs reimbursed by enterprise funds

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$269,754,449 (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:

- \$1,262,811 for various buildings and building improvements.
- \$2,060,961 for various machinery and equipment, including a fire truck.

- \$1,658,403 for various infrastructure.
- \$40,258 for various land.
- \$14,396,531 of construction in progress for various projects, including the Roudenbush Community Center building and the fire station.
- \$(10,346,695) of depreciation expense.

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 including unamortized premiums was \$45,951,692, 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, 2018

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 26,458,738	\$ 7,467,574	\$ 33,926,312
Investments	26,548,757	-	26,548,757
Receivables, net of allowance for uncollectibles:			
Property taxes	584,855	-	584,855
Excises	248,007	-	248,007
User fees	-	1,448,586	1,448,586
Departmental and other	391,140	-	391,140
Other assets	25,000	-	25,000
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	790,912	-	790,912
Other assets	25,000	-	25,000
Capital assets			
Land and construction in progress	44,220,569	4,670,427	48,890,996
Other capital assets, net of accumulated depreciation	184,189,767	36,673,686	220,863,453
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	6,453,106	194,784	6,647,890
Related to OPEB	9,392,939	283,706	9,676,645
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
	299,328,790	50,738,763	350,067,553
<b>LIABILITIES</b>			
Current:			
Warrants payable	2,610,686	145,583	2,756,269
Accounts payable	1,134,138	-	1,134,138
Accrued liabilities	948,445	60,241	1,008,686
Tax refunds payable	236,000	-	236,000
Notes payable	13,377,725	2,000,000	15,377,725
Other current liabilities	1,017,382	-	1,017,382
Current portion of long-term liabilities:			
Bonds payable	6,012,935	1,129,553	7,142,488
Other	85,565	9,177	94,742
Noncurrent:			
Bonds payable, net of current portion	31,626,041	7,183,163	38,809,204
Net pension liability	50,184,104	1,514,777	51,698,881
Net OPEB liability	77,244,120	2,331,568	79,575,688
Other, net of current portion	1,625,731	174,372	1,800,103
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	2,520,299	76,073	2,596,372
Related to OPEB	4,457	135	4,592
Other	51,062	-	51,062
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
	188,678,690	14,624,642	203,303,332
<b>NET POSITION</b>			
Net investment in capital assets	194,647,570	32,317,570	226,965,140
Restricted for:			
Grants and other statutory restrictions	12,297,370	-	12,297,370
Permanent funds:			
Nonexpendable	703,412	-	703,412
Expendable	1,724,692	-	1,724,692
Unrestricted	(98,722,944)	3,796,551	(94,926,393)
<b>TOTAL NET POSITION</b>	<b>\$ 110,650,100</b>	<b>\$ 36,114,121</b>	<b>\$ 146,764,221</b>

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

TOWN OF WESTFORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General government	\$ 8,420,057	\$ 379,669	\$ 584,229	\$ -	\$ (7,456,159)	\$ -	\$ (7,456,159)
Public safety	22,043,816	1,173,825	76,119	-	(20,793,872)	-	(20,793,872)
Education	82,166,056	4,425,825	34,379,921	100,000	(43,260,310)	-	(43,260,310)
Public works	12,637,173	101,455	-	1,176,514	(11,359,204)	-	(11,359,204)
Health and human services	2,865,630	279,273	355,585	-	(2,230,772)	-	(2,230,772)
Culture and recreation	4,915,232	291,144	68,075	-	(4,556,013)	-	(4,556,013)
Interest	1,486,713	-	-	-	(1,486,713)	-	(1,486,713)
Intergovernmental	555,208	-	-	-	(555,208)	-	(555,208)
Total Governmental Activities	135,089,885	6,651,191	35,463,929	1,276,514	(91,698,251)	-	(91,698,251)
<b>Business-Type Activities:</b>							
Water services	4,343,739	3,933,387	-	-	-	(410,352)	(410,352)
Nonmajor enterprise funds	2,924,937	2,032,922	-	-	-	(892,015)	(892,015)
Total Business-Type Activities	7,268,676	5,966,309	-	-	-	(1,302,367)	(1,302,367)
Total	\$ 142,358,561	\$ 12,617,500	\$ 35,463,929	\$ 1,276,514	(91,698,251)	(1,302,367)	(93,000,618)
<b>General Revenues, Contributions, and Transfers:</b>							
Property taxes					76,150,679	-	76,150,679
Excises					5,053,879	-	5,053,879
Penalties, interest and other taxes					275,512	-	275,512
Grants and contributions not restricted to specific programs					2,234,089	-	2,234,089
Investment income					(18,432)	38,020	19,588
Miscellaneous					1,900,192	457,415	2,357,607
Permanent fund contributions					500	-	500
Transfers (net)					(748,743)	766,008	17,265
Total general revenues, contributions, and transfers					84,847,676	1,261,443	86,109,119
Change in Net Position					(6,850,575)	(40,924)	(6,891,499)
<b>Net Position:</b>							
Beginning of year, as restated					117,500,675	36,155,045	153,655,720
End of year					\$ 110,650,100	\$ 36,114,121	\$ 146,764,221

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

TOWN OF WESTFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	General Fund	Community Preservation Act Fund	Roudenbush Rehabilitation Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and short-term investments	\$ 9,431,918	\$ 263,439	\$ 3,822,000	\$ 12,941,381	\$ 26,458,738
Investments	17,453,692	6,824,013	-	2,271,051	26,548,756
Receivables:					
Property taxes	1,502,274	26,432	-	-	1,528,706
Excises	279,584	-	-	-	279,584
Departmental and other	52,203	-	-	338,938	391,141
<b>TOTAL ASSETS</b>	<b>\$ 28,719,671</b>	<b>\$ 7,113,884</b>	<b>\$ 3,822,000</b>	<b>\$ 15,551,370</b>	<b>\$ 55,206,925</b>
<b>LIABILITIES</b>					
Warrants payable	\$ 1,785,738	\$ 20,265	\$ 476	\$ 804,207	\$ 2,610,686
Accounts payable	-	-	558,695	575,444	1,134,139
Accrued liabilities	564,735	-	-	-	564,735
Tax refunds payable	236,000	-	-	-	236,000
Notes payable	-	-	6,000,000	7,377,725	13,377,725
Other liabilities	1,017,382	-	-	-	1,017,382
<b>TOTAL LIABILITIES</b>	<b>3,603,855</b>	<b>20,265</b>	<b>6,559,171</b>	<b>8,757,376</b>	<b>18,940,667</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues	1,666,410	26,432	-	-	1,692,842
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	703,412	703,412
Restricted	7,629,545	-	-	10,659,532	18,289,077
Committed	3,550,508	7,067,187	-	-	10,617,695
Assigned	1,015,626	-	-	-	1,015,626
Unassigned	11,253,727	-	(2,737,171)	(4,568,950)	3,947,606
<b>TOTAL FUND BALANCES</b>	<b>23,449,406</b>	<b>7,067,187</b>	<b>(2,737,171)</b>	<b>6,793,994</b>	<b>34,573,416</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 28,719,671</b>	<b>\$ 7,113,884</b>	<b>\$ 3,822,000</b>	<b>\$ 15,551,370</b>	<b>\$ 55,206,925</b>

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, 2018

<b>Total governmental fund balances</b>	\$ 34,573,416
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	228,410,336
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,457,264
• 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.	(166,778,496)
• Other	<u>12,987,580</u>
<b>Net position of governmental activities</b>	<u><u>\$ 110,650,100</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, 2018

	General Fund	Community Preservation Act Fund	Roudenbush Rehabilitation Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 74,187,532	\$ 1,755,479	\$ -	\$ -	\$ 75,943,011
Excises	5,058,913	-	-	-	5,058,913
Penalties, interest and other taxes	237,020	4,115	-	-	241,135
Betterments	19,936	-	-	-	19,936
Charges for services	312,261	-	-	5,060,253	5,372,514
Intergovernmental	27,531,604	324,179	-	5,166,545	33,022,328
Licenses and permits	1,307,032	-	-	-	1,307,032
Fines and forfeitures	40,664	-	-	-	40,664
Investment income	23,254	(22,498)	-	(19,189)	(18,433)
Miscellaneous	929,944	-	-	414,395	1,344,339
Total Revenues	109,648,160	2,061,275	-	10,622,004	122,331,439
<b>Expenditures:</b>					
Current:					
General government	4,471,524	221,415	2,737,171	512,715	7,942,825
Public safety	10,077,599	-	-	8,614,522	18,692,121
Education	64,211,964	-	-	8,267,677	72,479,641
Public works	6,092,453	-	-	3,826,140	9,918,593
Health and human services	1,111,394	-	-	469,086	1,580,480
Culture and recreation	2,012,711	-	-	337,077	2,349,788
Employee benefits	16,001,410	-	-	-	16,001,410
Debt service	6,349,044	866,574	-	-	7,215,618
Intergovernmental	555,208	-	-	-	555,208
Total Expenditures	110,883,307	1,087,989	2,737,171	22,027,217	136,735,684
Excess (deficiency) of revenues over expenditures	(1,235,147)	973,286	(2,737,171)	(11,405,213)	(14,404,245)
<b>Other Financing Sources (Uses):</b>					
Issuance of bonds	-	-	-	10,000,000	10,000,000
Bond premiums	-	-	-	390,974	390,974
Transfers in	3,414	-	-	213,000	216,414
Transfers out	(961,743)	-	-	(3,414)	(965,157)
Total Other Financing Sources (Uses)	(958,329)	-	-	10,600,560	9,642,231
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,193,476)	973,286	(2,737,171)	(804,653)	(4,762,014)
Fund Balance, at Beginning of Year	25,642,882	6,093,901	-	7,598,647	39,335,430
Fund Balance, at End of Year	\$ 23,449,406	\$ 7,067,187	\$ (2,737,171)	\$ 6,793,994	\$ 34,573,416

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, 2018

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ (4,762,014)</b>																				
<ul style="list-style-type: none"> <li>• 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 style="margin-left: 40px;"> <tr> <td>Capital outlay</td> <td style="text-align: right;">16,867,906</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(8,669,010)</td> </tr> </table> </li> <li>• 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 style="margin-left: 40px;"> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(10,000,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">5,938,014</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">86,073</td> </tr> </table> </li> <li>• 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 style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(47,111)</td> </tr> </table> </li> <li>• Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: <table style="margin-left: 40px;"> <tr> <td>Net pension liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">(1,691,302)</td> </tr> <tr> <td>Net OPEB liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">(4,160,298)</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">(163,244)</td> </tr> </table> </li> <li>• Other differences. <table style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>(249,589)</u></td> </tr> </table> </li> </ul>	Capital outlay	16,867,906	Depreciation	(8,669,010)	Issuance of debt	(10,000,000)	Repayments of debt	5,938,014	Other	86,073		(47,111)	Net pension liability and related deferred outflows and inflows of resources	(1,691,302)	Net OPEB liability and related deferred outflows and inflows of resources	(4,160,298)	Other	(163,244)		<u>(249,589)</u>	
Capital outlay	16,867,906																				
Depreciation	(8,669,010)																				
Issuance of debt	(10,000,000)																				
Repayments of debt	5,938,014																				
Other	86,073																				
	(47,111)																				
Net pension liability and related deferred outflows and inflows of resources	(1,691,302)																				
Net OPEB liability and related deferred outflows and inflows of resources	(4,160,298)																				
Other	(163,244)																				
	<u>(249,589)</u>																				
<b>Change in net position of governmental activities</b>	<b>\$ <u><u>(6,850,575)</u></u></b>																				

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, 2018

	<u>Budgeted Amounts</u>			Variance with
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Final Budget Positive (Negative)</u>
<b>Revenues and Other Sources:</b>				
Property taxes	\$ 74,596,741	\$ 74,596,741	\$ 74,596,741	\$ -
Excise	4,682,696	4,682,696	5,058,913	376,217
Penalties, interest and other taxes	188,000	188,000	171,675	(16,325)
Payments in lieu of taxes	64,000	64,000	65,345	1,345
Betterments	10,924	10,924	19,936	9,012
Charges for services	322,300	322,300	312,261	(10,039)
Intergovernmental	20,709,531	20,709,531	20,816,518	106,987
Licenses and permits	875,000	875,000	1,307,032	432,032
Fines and forfeitures	53,000	53,000	40,664	(12,336)
Investment income	65,000	65,000	126,200	61,200
Miscellaneous	1,802,035	1,802,035	2,248,383	446,348
Transfers in	378,414	1,508,636	1,508,636	-
Use of free cash	373,393	2,791,505	2,791,505	-
Use of overlay surplus	200,000	200,000	200,000	-
Use of designated fund balance	23,001	23,001	23,001	-
<b>Total Revenues and Other Sources</b>	<b>104,344,035</b>	<b>107,892,369</b>	<b>109,286,810</b>	<b>1,394,441</b>
<b>Expenditures and Other Uses:</b>				
General government	4,652,806	5,031,978	4,489,097	542,881
Public safety	9,768,761	10,169,237	10,017,035	152,202
Education	57,331,365	57,306,938	57,168,091	138,847
Public works	4,977,929	6,173,147	5,993,100	180,047
Health and human services	1,062,276	1,108,080	1,080,468	27,612
Culture and recreation	2,017,789	2,089,186	1,992,527	96,659
Employee benefits	15,709,690	16,839,912	16,184,249	655,663
Debt service	6,787,368	6,787,368	6,593,251	194,117
Intergovernmental	541,237	541,237	555,208	(13,971)
Transfers out	1,494,814	1,845,286	1,845,286	-
<b>Total Expenditures and Other Uses</b>	<b>104,344,035</b>	<b>107,892,369</b>	<b>105,918,312</b>	<b>1,974,057</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 3,368,498	\$ 3,368,498

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

TOWN OF WESTFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Business-Type Activities		
	Enterprise Fund		
	Water Fund	Nonmajor Enterprise Funds	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 6,495,570	\$ 972,004	\$ 7,467,574
User fees, net of allowance for uncollectibles	<u>828,335</u>	<u>620,251</u>	<u>1,448,586</u>
Total current assets	7,323,905	1,592,255	8,916,160
Noncurrent:			
Capital Assets:			
Land and construction in progress	4,395,680	274,747	4,670,427
Other capital assets, net of accumulated depreciation	<u>35,994,733</u>	<u>678,953</u>	<u>36,673,686</u>
Total noncurrent assets	40,390,413	953,700	41,344,113
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	98,389	96,395	194,784
Related to OPEB	<u>158,152</u>	<u>125,554</u>	<u>283,706</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	47,970,859	2,767,904	50,738,763
<b>LIABILITIES</b>			
Current:			
Warrants payable	131,839	13,744	145,583
Accrued liabilities	60,241	-	60,241
Notes payable	2,000,000	-	2,000,000
Current portion of long-term liabilities:			
Bonds payable	1,129,553	-	1,129,553
Other	<u>6,515</u>	<u>2,662</u>	<u>9,177</u>
Total current liabilities	3,328,148	16,406	3,344,554
Noncurrent:			
Bonds payable, net of current portion	7,183,163	-	7,183,163
Net pension liability	765,143	749,634	1,514,777
Net OPEB liability	1,177,721	1,153,847	2,331,568
Other, net of current portion	<u>123,800</u>	<u>50,572</u>	<u>174,372</u>
Total noncurrent liabilities	9,249,827	1,954,053	11,203,880
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	38,426	37,647	76,073
Related to OPEB	<u>68</u>	<u>67</u>	<u>135</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	12,616,469	2,008,173	14,624,642
<b>NET POSITION</b>			
Net investment in capital assets	31,363,870	953,700	32,317,570
Unrestricted	<u>3,990,520</u>	<u>(193,969)</u>	<u>3,796,551</u>
<b>TOTAL NET POSITION</b>	<u>\$ 35,354,390</u>	<u>\$ 759,731</u>	<u>\$ 36,114,121</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, 2018

	Business-Type Activities Enterprise Fund		
	Water Fund	Nonmajor Enterprise Funds	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 3,933,387	\$ 2,032,922	\$ 5,966,309
Other	457,415	-	457,415
Total Operating Revenues	4,390,802	2,032,922	6,423,724
<b>Operating Expenses:</b>			
Salaries and benefits	1,132,736	1,723,506	2,856,242
Other operating expenses	1,389,888	1,085,328	2,475,216
Depreciation	1,562,410	115,276	1,677,686
Total Operating Expenses	4,085,034	2,924,110	7,009,144
Operating Income (Loss)	305,768	(891,188)	(585,420)
<b>Nonoperating Revenues (Expenses):</b>			
Investment income	29,638	8,382	38,020
Interest expense	(258,705)	(827)	(259,532)
Total Nonoperating Revenues (Expenses), Net	(229,067)	7,555	(221,512)
Net Income or Loss Before Transfers	76,701	(883,633)	(806,932)
<b>Transfers:</b>			
Transfers in	77,572	688,436	766,008
Change in Net Position	154,273	(195,197)	(40,924)
Net Position at Beginning of Year, as restated	35,200,117	954,928	36,155,045
Net Position at End of Year	\$ 35,354,390	\$ 759,731	\$ 36,114,121

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, 2018

	Business-Type Activities Enterprise Funds		
	Water Fund	Nonmajor Enterprise Funds	Total
<b><u>Cash Flows From Operating Activities:</u></b>			
Receipts from customers and users	\$ 4,378,705	\$ 2,125,306	\$ 6,504,011
Payments to vendors and employees	<u>(2,432,875)</u>	<u>(2,785,453)</u>	<u>(5,218,328)</u>
Net Cash Provided By (Used For) Operating Activities	1,945,830	(660,147)	1,285,683
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Acquisition, construction, and disposition of capital assets	(2,551,059)	-	(2,551,059)
Issuance of bonds and notes	2,000,000	-	2,000,000
Payments on bond and notes	(1,213,588)	(45,000)	(1,258,588)
Interest expense	<u>(258,705)</u>	<u>(827)</u>	<u>(259,532)</u>
Net Cash (Used For) Capital and Related Financing Activities	(2,023,352)	(45,827)	(2,069,179)
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>			
Transfers in	<u>77,572</u>	<u>688,436</u>	<u>766,008</u>
Net Cash Provided By Noncapital Financing Activities	77,572	688,436	766,008
<b><u>Cash Flows From Investing Activities:</u></b>			
Investment income	<u>29,638</u>	<u>8,382</u>	<u>38,020</u>
Net Cash Provided By (Used For) Investing Activities	<u>29,638</u>	<u>8,382</u>	<u>38,020</u>
Net Change in Cash and Short-Term Investments	29,688	(9,156)	20,532
Cash and Short-Term Investments, Beginning of Year	<u>6,465,882</u>	<u>981,160</u>	<u>7,447,042</u>
Cash and Short-Term Investments, End of Year	<u>\$ 6,495,570</u>	<u>\$ 972,004</u>	<u>\$ 7,467,574</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:</u></b>			
Operating income (loss)	\$ 305,768	\$ (891,188)	\$ (585,420)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	1,562,410	115,276	1,677,686
Changes in assets, liabilities, and deferred outflows/inflows:			
Receivables	(12,097)	92,384	80,287
Deferred outflows - related to pensions	5,205	5,099	10,304
Deferred outflows - related to OPEB	(148,123)	(125,554)	(273,677)
Warrants payable	51,777	(58,145)	(6,368)
Accrued liabilities	(36,431)	-	(36,431)
Compensated absences	7,025	(4,053)	2,972
Net pension liability	(17,845)	(17,483)	(35,328)
Net OPEB liability	189,647	185,803	375,450
Deferred inflows - related to pensions	38,426	37,647	76,073
Deferred inflows - related to OPEB	<u>68</u>	<u>67</u>	<u>135</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 1,945,830</u>	<u>\$ (660,147)</u>	<u>\$ 1,285,683</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, 2018

	<u>OPEB Trust Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and short-term investments	\$ 44,592	\$ 994,128
Investments:		
Corporate bonds	768,242	-
Corporate equities	1,454,106	-
Mutual funds	2,118,873	-
Federal agency securities	168,739	-
Other assets	<u>-</u>	<u>210,267</u>
Total Assets	4,554,552	1,204,395
<b>LIABILITIES AND NET POSITION</b>		
Warrants payable	-	9,500
Other liabilities	<u>-</u>	<u>1,194,895</u>
Total Liabilities	<u>-</u>	<u>1,204,395</u>
<b>NET POSITION</b>		
Restricted for OPEB purposes	<u>4,554,552</u>	<u>-</u>
	<u>\$ 4,554,552</u>	<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, 2018

	<u>OPEB Trust Fund</u>
<b>Additions:</b>	
Employer contributions	\$ 3,263,256
Interest income	<u>(4,961)</u>
Total additions	3,258,295
<b>Deductions:</b>	
Benefit payments to plan members and beneficiaries	2,245,506
Transfers out	<u>17,265</u>
Total deductions	<u>2,262,771</u>
Net increase	995,524
<b>Net position restricted for pensions and other purposes:</b>	
Beginning of year	<u>3,559,028</u>
End of year	<u><u>\$ 4,554,552</u></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 2018, 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, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension 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 *Roudenbush rehabilitation fund* accounts for funds used for the Roudenbush Community Center building project.

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 Fund

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 Town 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 2018 tax levy reflected an excess capacity of \$1,085,699.

*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 five 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)	\$ 109,648,160	\$ 110,883,307
Other financing sources/uses (GAAP basis)	<u>3,414</u>	<u>961,743</u>
Subtotal (GAAP Basis)	109,651,574	111,845,050
Adjust tax revenue to accrual basis	409,209	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(3,534,203)
Add end-of-year appropriation carryforwards from expenditures	-	3,052,329
To record use of free cash	2,791,505	-
To record use of overlay surplus	200,000	-
To record use of designated fund balance	23,001	-
Reverse the effects of non-budgeted audit adjustments	(4,223,947)	(5,584,864)
Reverse the effects of combining general fund and stabilization funds (GASB 54)	<u>435,468</u>	<u>140,000</u>
Budgetary basis	<u>\$ 109,286,810</u>	<u>\$ 105,918,312</u>

**D. Deficit Fund Equity**

Certain individual funds reflected deficit balances as of June 30, 2018.

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, 2018, \$10,163,531 of the Town's bank balances of \$38,437,676 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.):

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End						
				Aaa	Aa3	A1	A2	A3	Baa1	Baa2
U.S. Treasury notes	\$ 7,527	N/A	\$ 7,527	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of deposits	6,203	N/A	6,203	-	-	-	-	-	-	-
Corporate bonds	4,235		-	-	580	477	269	1,029	525	1,355
Corporate equities	3,931	N/A	3,931	-	-	-	-	-	-	-
Mutual funds	2,680	N/A	2,680	-	-	-	-	-	-	-
Asset backed securities	29	N/A	29	-	-	-	-	-	-	-
Federal agency securities	<u>6,454</u>		-	<u>6,454</u>	-	-	-	-	-	-
Total investments	\$ <u>31,059</u>		\$ <u>20,370</u>	\$ <u>6,454</u>	\$ <u>580</u>	\$ <u>477</u>	\$ <u>269</u>	\$ <u>1,029</u>	\$ <u>525</u>	\$ <u>1,355</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's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages custodial credit risk with SIPC and excess SIPC.

**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 - Century Bank	\$ 3,063,375	10%

**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	\$ 7,527	\$ 1,378	\$ 6,149	\$ -	\$ -	\$ -	
Certificates of deposit	6,203	3,904	2,299	-	-	-	
Corporate bonds	4,235	1,177	3,058	-	-	-	
Corporate equities	3,931	-	-	-	-	-	3,931
Mutual funds	2,680	-	-	-	-	-	2,680
Asset backed securities	29	-	3	2	24		
Federal agency securities	6,454	1,416	5,038	-	-	-	
<b>Total</b>	<b>\$ 31,059</b>	<b>\$ 7,875</b>	<b>\$ 16,547</b>	<b>\$ 2</b>	<b>\$ 24</b>	<b>\$ 6,611</b>	

**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.

The Town has the following fair value measurements as of June 30, 2018 (in thousands):

<u>Description</u>	<u>Fair Value Measurements Using:</u>		
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:			
Debt securities:			
U.S. Treasury securities	\$ 7,527	\$ -	\$ 7,527
Federal agencies	6,454	-	6,454
Asset backed securities	29	-	29
Corporate bonds	4,235	-	4,235
Equity securities:			
Corporate equities	3,931	3,931	-
Mutual funds	<u>2,680</u>	<u>2,680</u>	-
Total	\$ <u>24,856</u>		

**5. Property 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.

Property taxes and excise receivables at June 30, 2018 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Net Amount (accrual basis)
Real estate taxes	\$ 444,955	\$ (44,497)	\$ 400,458
Personal property taxes	37,062	(3,773)	33,289
Community preservation	13,167	(1,317)	11,850
Tax liens	722,065	(72,206)	649,859
Tax deferrals	<u>311,457</u>	<u>(31,146)</u>	<u>280,311</u>
Total property taxes	<u>\$ 1,528,706</u>	<u>\$ (152,939)</u>	1,375,767
Less current portion			<u>584,855</u>
Noncurrent taxes receivable			<u>\$ 790,912</u>
Motor vehicle excise	<u>\$ 279,584</u>	<u>\$ (31,577)</u>	<u>\$ 248,007</u>
Total excises	<u>\$ 279,584</u>	<u>\$ (31,577)</u>	<u>\$ 248,007</u>

**6. User Fee Receivables**

Receivables for user charges at June 30, 2018 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Water	\$ 853,335	\$ (25,000)	\$ 828,335
Nonmajor enterprise funds	<u>634,009</u>	<u>(13,758)</u>	<u>620,251</u>
Total	<u>\$ 1,487,344</u>	<u>\$ (38,758)</u>	<u>\$ 1,448,586</u>

**7. Interfund Fund Transfers**

**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	\$ 3,414	\$ 961,743
Nonmajor Funds:		
Special Revenue Funds	75,000	3,414
Capital Project Funds	<u>138,000</u>	<u>-</u>
Subtotal Nonmajor Funds	213,000	3,414
<u>Business-Type Funds:</u>		
Water Fund	77,572	-
Nonmajor Enterprise Funds	<u>688,436</u>	<u>-</u>
Subtotal Business-Type Funds:	<u>766,008</u>	<u>-</u>
<u>Fiduciary Funds:</u>		
OPEB Trust Fund	<u>-</u>	<u>17,265</u>
Subtotal Fiduciary Funds:	<u>-</u>	<u>17,265</u>
Grand Total	<u>\$ 982,422</u>	<u>\$ 982,422</u>

Of the transfers into the general fund, \$3,414 was transferred from the Senior Center Fitness Room revolving fund to subsidize the operating budget. Of the transfers out of the general fund, \$642,536 was transferred to the enterprise funds to subsidize the operating budgets, \$106,207 was transferred to the enterprise funds to subsidize debt service costs, \$138,000 was transferred to various capital project funds for a bond anticipation note paydown, and \$75,000 was transferred to the Special Education Reserve Fund to establish the new fund. Of the transfer out of the OPEB Trust Fund, \$17,265 was transferred to the water enterprise fund to pay for retiree benefits.

## 8. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 144,734	\$ 12,150	\$ -	\$ 156,884
Machinery, equipment, and furnishings	37,309	1,818	-	39,127
Infrastructure	<u>132,936</u>	<u>2,055</u>	<u>-</u>	<u>134,991</u>
Total capital assets, being depreciated	314,979	16,023	-	331,002
Less accumulated depreciation for:				
Buildings and improvements	(60,071)	(3,362)	-	(63,433)
Machinery, equipment, and furnishings	(19,114)	(1,991)	-	(21,105)
Infrastructure	<u>(58,958)</u>	<u>(3,316)</u>	<u>-</u>	<u>(62,274)</u>
Total accumulated depreciation	<u>(138,143)</u>	<u>(8,669)</u>	<u>-</u>	<u>(146,812)</u>
Total capital assets, being depreciated, net	176,836	7,354	-	184,190
Capital assets, not being depreciated:				
Land	31,914	40	-	31,954
Construction in progress	<u>11,461</u>	<u>12,117</u>	<u>(11,311)</u>	<u>12,267</u>
Total capital assets, not being depreciated	<u>43,375</u>	<u>12,157</u>	<u>(11,311)</u>	<u>44,221</u>
Governmental activities capital assets, net	<u>\$ 220,211</u>	<u>\$ 19,511</u>	<u>\$ (11,311)</u>	<u>\$ 228,411</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 16,739	\$ -	\$ -	\$ 16,739
Machinery, equipment, and furnishings	3,052	244	-	3,296
Infrastructure	<u>42,317</u>	<u>27</u>	<u>-</u>	<u>42,344</u>
Total capital assets, being depreciated	62,108	271	-	62,379
Less accumulated depreciation for:				
Buildings and improvements	(8,268)	(649)	-	(8,917)
Machinery, equipment, and furnishings	(1,947)	(208)	-	(2,155)
Infrastructure	<u>(13,812)</u>	<u>(821)</u>	<u>-</u>	<u>(14,633)</u>
Total accumulated depreciation	<u>(24,027)</u>	<u>(1,678)</u>	<u>-</u>	<u>(25,705)</u>
Total capital assets, being depreciated, net	38,081	(1,407)	-	36,674
Capital assets, not being depreciated:				
Land	<u>2,390</u>	<u>2,280</u>	<u>-</u>	<u>4,670</u>
Total capital assets, not being depreciated	<u>2,390</u>	<u>2,280</u>	<u>-</u>	<u>4,670</u>
Business-type activities capital assets, net	<u>\$ 40,471</u>	<u>\$ 873</u>	<u>\$ -</u>	<u>\$ 41,344</u>

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

Governmental Activities:	
General government	\$ 151
Public safety	554
Education	3,914
Public works	3,839
Culture and recreation	59
Health and Human Services	<u>152</u>
Total depreciation expense - governmental activities	<u>\$ 8,669</u>
Business-Type Activities:	
Water	\$ 1,563
Nonmajor enterprise funds	<u>115</u>
Total depreciation expense - business-type activities	<u>\$ 1,678</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 and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

## **10. Warrants and Accounts Payable**

Warrants payable represent 2018 expenditures paid by July 15, 2018. Accounts payable represent additional fiscal year 2018 expenditures paid after July 15, 2018.

## **11. Accrued Liabilities**

Accrued liabilities consist of amounts accrued at June 30, 2018 for fiscal 2018 employee payrolls, as well as interest accrued on outstanding bonds.

## **12. 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.

### 13. Notes Payable

The Town had the following notes outstanding at June 30, 2018:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/18</u>
Drainage Master Plan	1.30%	10/12/17	10/12/18	\$ 26,000
Intersection Design	1.30%	10/12/17	10/12/18	91,000
Plain Road Sidewalk	1.30%	10/12/17	10/12/18	25,000
School Window Project	1.30%	10/12/17	10/12/18	990,000
Robinson & Day Windows	1.30%	12/07/17	10/12/18	200,000
Plain Road Sidewalk	1.30%	12/07/17	10/12/18	485,725
Main Street Reconciliation	1.30%	12/07/17	10/12/18	1,895,000
Stormwater Master Plan	1.30%	12/07/17	10/12/18	50,000
Roudenbush Building Rehabilitation	1.75%	12/07/17	10/12/18	1,000,000
Roudenbush Building Rehabilitation	2.05%	12/07/17	10/12/18	2,000,000
Roudenbush Building Rehabilitation	2.65%	06/20/18	05/15/19	3,000,000
Prospect Hill Water Tank	2.20%	06/20/18	10/12/18	1,000,000
Wastewater Upgrades	2.20%	06/20/18	10/12/18	500,000
Fire Truck	2.20%	06/20/18	10/12/18	615,000
Abbot School Road	2.20%	06/20/18	08/15/19	2,000,000
Vine Brook Water System	2.20%	06/20/18	08/15/19	1,000,000
Street Lights	2.45%	06/20/18	08/15/19	500,000
Total				<u>\$ 15,377,725</u>

The following summarizes activity in notes payable during fiscal year 2018:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
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)	-
Drainage Master Plan	-	26,000	-	26,000
Intersection Design	-	91,000	-	91,000
Plain Road Sidewalk	-	25,000	-	25,000
School Window Project	-	990,000	-	990,000
Robinson & Day Windows	-	200,000	-	200,000
Plain Road Sidewalk	-	485,725	-	485,725
Main Street Reconciliation	-	1,895,000	-	1,895,000
Stormwater Master Plan	-	50,000	-	50,000
Roudenbush Building Rehabilitation	-	1,000,000	-	1,000,000
Roudenbush Building Rehabilitation	-	2,000,000	-	2,000,000
Roudenbush Building Rehabilitation	-	3,000,000	-	3,000,000
Prospect Hill Water Tank	-	1,000,000	-	1,000,000
Wastewater Upgrades	-	500,000	-	500,000
Fire Truck	-	615,000	-	615,000
Abbot School Road	-	2,000,000	-	2,000,000
Vine Brook Water System	-	1,000,000	-	1,000,000
Street Lights	-	500,000	-	500,000
Total	<u>\$ 3,850,725</u>	<u>\$ 15,377,725</u>	<u>\$ (3,850,725)</u>	<u>\$ 15,377,725</u>

## 14. 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:

<u>Governmental Activities:</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>6/30/18</u>
Title V	08/01/19	0.00%	\$ 8,028
Elementary school construction	06/01/22	4.14%	5,580,000
Elementary school construction	12/01/22	4.49%	1,555,000
Middle school construction	06/01/22	4.14%	5,315,000
Middle school construction	12/01/22	4.49%	1,480,000
East Boston camps CPA	04/01/19	4.0 - 5.5%	730,000
Academy refunding	06/30/20	4.00%	2,615,000
Town Hall	04/15/10	3.68%	1,375,000
Elevator 2013	06/01/23	1.40%	225,000
Police communications 2013	06/01/22	1.29%	80,000
Boiler 2013	06/01/22	1.29%	40,000
Sewer refunding 2013	06/01/19	0.96%	90,000
Highway refunding 2014	04/25/24	1.54%	3,325,000
School 2016	06/30/37	2.08%	1,900,000
Dispatch center 2016	06/30/37	2.07%	975,000
Senior center refunding 2018	06/30/30	2.5 - 5%	2,305,000
Fire station 2018	06/30/30	2.5 - 5%	10,000,000
Total Governmental Activities			<u>\$ 37,598,028</u>

<u>Business-Type Activities:</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>6/30/18</u>
<u>Water Enterprise</u>			
Filtration plant - MWPAT	02/01/21	1.11%	\$ 450,000
MWPAT	08/01/22	1.13%	3,620,000
MWPAT DW 08-16	07/15/30	2.00%	156,863
MWPAT DW 09-07	07/15/30	2.00%	1,305,853
2013 Water bond	06/01/33	2.36%	1,185,000
2013 Water bond	06/01/33	2.36%	430,000
Water Graniteville 2016	06/30/37	2.08%	380,000
Water Pleasant 2016	06/30/37	2.08%	475,000
Water refunding	06/30/24	3 - 5%	310,000
Total Business-Type Activities			<u>\$ 8,312,716</u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2018 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 5,999,014	\$ 1,385,056	\$ 7,384,070
2020	5,424,014	1,129,624	6,553,638
2021	4,145,000	891,036	5,036,036
2022	4,360,000	727,162	5,087,162
2023	4,325,000	481,512	4,806,512
2024 - 2028	6,525,000	1,481,588	8,006,588
2029 - 2033	4,970,000	641,650	5,611,650
Thereafter	1,850,000	149,401	1,999,401
Total	<u>\$ 37,598,028</u>	<u>\$ 6,887,029</u>	<u>\$ 44,485,057</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,129,553	\$ 154,141	\$ 1,283,694
2020	1,136,558	132,333	1,268,891
2021	1,168,602	110,819	1,279,421
2022	1,045,690	91,295	1,136,985
2023	1,067,819	71,558	1,139,377
2024 - 2028	1,382,544	290,821	1,673,365
2029 - 2033	1,201,950	73,310	1,275,260
Thereafter	180,000	6,749	186,749
Total	<u>\$ 8,312,716</u>	<u>\$ 931,026</u>	<u>\$ 9,243,742</u>

**C. Changes in General Long-Term Liabilities**

During the year ended June 30, 2018, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/17</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/18</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/18</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 33,631	\$ 10,000	\$ (6,033)	\$ 37,598	\$ (5,999)	\$ 31,599
Unamortized premium	57	-	(16)	41	(14)	27
Subtotal	33,688	10,000	(6,049)	37,639	(6,013)	31,626
Net pension liability	51,354	-	(1,170)	50,184	-	50,184
Net OPEB liability	64,806	12,438	-	77,244	-	77,244
Other:						
Compensated absences	1,548	168	(5)	1,711	(85)	1,626
Subtotal - other	1,548	168	(5)	1,711	(85)	1,626
Totals	<u>\$ 151,396</u>	<u>\$ 22,606</u>	<u>\$ (7,224)</u>	<u>\$ 166,778</u>	<u>\$ (6,098)</u>	<u>\$ 160,680</u>

	Total Balance 7/1/17	Additions	Reductions	Total Balance 6/30/18	Less Current Portion	Equals Long-Term Portion 6/30/18
<u>Business-Type Activities</u>						
Bonds payable	\$ 9,572	\$ -	\$ (1,259)	\$ 8,313	\$ (1,130)	\$ 7,183
Net pension liability	1,550	-	(35)	1,515	-	1,515
Net OPEB liability	1,956	376		2,332	-	2,332
Other:						
Compensated absences	181	10	(8)	183	(9)	174
Subtotal - other	181	10	(8)	183	(9)	174
Totals	\$ 13,259	\$ 386	\$ (1,302)	\$ 12,343	\$ (1,139)	\$ 11,204

## 15. 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. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. *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.

## 16. 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, 2018:

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, 2018:

	General Fund	Community Preservation Fund	Roudenbush Rehabilitation Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 703,412	\$ 703,412
Total Nonspendable	-	-	-	703,412	703,412
<b>Restricted</b>					
Reserve for debt service	7,629,545	-	-	-	7,629,545
Capital project funds	-	-	-	3,554,886	3,554,886
Special revenue funds	-	-	-	5,379,954	5,379,954
Expendable permanent funds	-	-	-	1,724,692	1,724,692
Total Restricted	7,629,545	-	-	10,659,532	18,289,077
<b>Committed</b>					
Reserve for continuing appropriations	2,042,202	-	-	-	2,042,202
Health stabilization	641,275	-	-	-	641,275
Capital stabilization	867,031	-	-	-	867,031
Community preservation act funds	-	7,067,187	-	-	7,067,187
Total Committed	3,550,508	7,067,187	-	-	10,617,695
<b>Assigned</b>					
Reserved for encumbrances	1,010,126	-	-	-	1,010,126
Reserved for petty cash	5,500	-	-	-	5,500
Total Assigned	1,015,626	-	-	-	1,015,626
<b>Unassigned</b>					
General fund	5,950,729	-	-	-	5,950,729
General stabilization	5,302,998	-	-	-	5,302,998
Special revenue funds	-	-	-	(149,772)	(149,772)
Capital project funds	-	-	(2,737,171)	(4,419,178)	(7,156,349)
Total Unassigned	11,253,727	-	(2,737,171)	(4,568,950)	3,947,606
Total Fund Balances	\$ 23,449,406	\$ 7,067,187	\$ (2,737,171)	\$ 6,793,994	\$ 34,573,416

## 17. **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 shortfalls, 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	\$ 11,253,727
Stabilization	(5,302,998)
Tax refund estimate	<u>236,000</u>
Statutory (UMAS) Balance	<u><u>\$ 6,186,729</u></u>

## **18. 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 100 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, 2018 was \$4,619,903, 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

At June 30, 2018, the Town reported a liability of \$51,698,881 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. 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 December 31, 2017, the Town's proportion was 3.642858%.

For the year ended June 30, 2018, the Town recognized pension expense of \$6,362,256. In addition, the Town reported deferred outflows of resources of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 174,342	\$ 264,017
Changes of assumptions	4,941,796	-
Net difference between projected and actual earnings on pension plan investments	-	1,404,238
Changes in proportion and differences between contributions and proportionate share of contributions	<u>1,531,752</u>	<u>928,117</u>
Total	<u>\$ 6,647,890</u>	<u>\$ 2,596,372</u>

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

Year ended June 30:	
2019	\$ 1,733,966
2020	1,697,019
2021	837,421
2022	<u>(216,888)</u>
Total	<u>\$ 4,051,518</u>

**D. Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2017:

COLA	3.0% of the first \$14,000 of retirement income
Salary increases	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4
Investment rate of return	7.50%, net of pension plan investment expense, including inflation. Previously 7.75%

Mortality rates for pre-retirement were based on the RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017. Mortality rates for retiree were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017. Mortality rates for disabled were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

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	17.5%	6.15%
International developed markets equity	15.5%	7.11%
International emerging markets equity	6.0%	9.41%
Core fixed income	12.0%	1.68%
High-yield fixed income	10.0%	4.13%
Real estate	10.0%	4.90%
Commodities	4.0%	4.71%
Hedge funds, GTAA, Risk parity	13.0%	3.94%
Private equity	12.0%	10.28%
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 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 7.50 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 (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
\$ 63,451,747	\$ 51,698,881	\$ 41,789,658

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.

**19. 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, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. 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 White Collar Employee table projected generationally with Scale MP-2016 (gender district).
  - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (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, 2017 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%	5.0%
Portfolio completion strategies	13.0%	3.6%
Core fixed income	12.0%	1.1%
Private equity	11.0%	6.6%
Value added fixed income	10.0%	3.8%
Real estate	10.0%	3.6%
Timber/natural resources	4.0%	3.2%
Hedge Funds	<u>0.0%</u>	3.6%
Total	<u><u>100.0%</u></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 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase to 8.50%</u>
\$ 28,424,300	\$ 22,885,391	\$ 18,193,400

**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 \$124,383,239 and \$12,982,241 respectively, based on a proportionate share of 0.543505%. 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.

**20. Other Post-Employment Benefits (GASB 75)**

*GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of July 1, 2017.

A. General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through Blue Cross Blue Shield of New England. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

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

Plan Membership

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	502
Active employees	<u>1,028</u>
Total	<u><u>1,530</u></u>

B. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%
Investment rate of return	5.16%, net of OPEB plan investment expense
Municipal bond rate	3.13%
Discount rate	4.75%
Healthcare cost trend rates	5% for 2017
Retirees' share of benefit-related costs	40% of premiums for the PPO & Medicare Integrated Plans and 35% for other as well as 50% of premiums for life insurance. Participants pay 100% of premiums for dental insurance.

Mortality rates for pre-retirement were based on RP-2000 Employees Mortality Table projected generationally with scale BB and a base year of 2009 for males and females. Mortality rates for post-retirement were based on RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females. Mortality rates for disabled were based on RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of July 1, 2015.

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 July 1, 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	48.50%	4.00%
Domestic Equity - Small/Mid Cap	0.00%	6.00%
International Equity - Developed Market	2.50%	4.50%
International Equity - Emerging Market	0.00%	7.00%
Domestic Fixed Income	22.50%	2.00%
International Fixed Income	5.25%	3.00%
Alternatives	0.00%	6.50%
Real Estate	0.00%	6.25%
Cash	<u>21.25%</u>	0.00%
Total	<u>100.00%</u>	

### C. Discount Rate

The discount rate used to measure the net OPEB liability was 4.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members 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. As a result, a blended discount rate was used based on a combination of the investment rate of return of 5.16% and municipal bond rate of 3.13% (based on index provided by S&P on 20-year municipal bond rate as of June 30, 2017).

*D. Net OPEB Liability*

The components of the net OPEB liability, measured as of July 1, 2017, were as follows:

Total OPEB liability	\$ 83,134,715
Plan fiduciary net position	<u>3,559,027</u>
Net OPEB liability	<u>\$ 79,575,688</u>

*E. Changes in the Net OPEB Liability*

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 69,048,192	\$ 2,286,510	\$ 66,761,682
Changes for the year:			
Service cost	2,623,099	-	2,623,099
Interest	3,356,445	-	3,356,445
Contributions - employer	-	3,162,513	(3,162,513)
Net investment income	-	152,263	(152,263)
Differences between expected and actual experience	10,149,238	-	10,149,238
Benefit payments	<u>(2,042,259)</u>	<u>(2,042,259)</u>	<u>-</u>
Net Changes	<u>14,086,523</u>	<u>1,272,517</u>	<u>12,814,006</u>
Balances, end of year	<u>\$ 83,134,715</u>	<u>\$ 3,559,027</u>	<u>\$ 79,575,688</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 6.00% in 2016 to 4.75% in 2017.

*F. 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 one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease	Current Discount Rate	1% Increase
<u>                    </u>	<u>                    </u>	<u>                    </u>
\$ 106,409,785	\$ 79,575,688	\$ 58,777,215

G. 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 one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 68,139,152	\$ 79,575,688	\$ 93,958,271

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized an OPEB expense of \$4,159,703. At June 30, 2018, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 1,017,750	\$ -
Difference between expected and actual experience	8,658,895	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>4,592</u>
Total	<u>\$ 9,676,645</u>	<u>\$ 4,592</u>

The \$1,017,750 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2019	\$ 1,489,195
2020	1,489,195
2021	1,489,195
2022	1,489,195
2023	1,490,343
Thereafter	<u>1,207,180</u>
Total	<u>\$ 8,654,303</u>

## 21. Other Post-Employment Benefits (GASB 74)

*GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2012, the Town established an OPEB Trust Fund to provide funding for future employee health care costs.

All the following OPEB disclosures are based on a measurement date of June 30, 2018.

### A. Investments

The OPEB trust fund assets consist of corporate bonds, corporate equities, mutual funds, and federal agency securities.

*Rate of return.* For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was (0.12)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### B. Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%
Investment rate of return	6.44%, net of OPEB plan investment expense
Municipal bond rate	3.45%
Discount rate	5.75%
Healthcare cost trend rates	5% for 2018
Retirees' share of benefit-related costs	40% of premiums for the PPO & Medicare Integrated Plans and 35% for other as well as 50% of premiums for life insurance. Participants pay 100% of premiums for dental insurance.

Mortality rates for pre-retirement were based on RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females. Mortality rates for post-retirement were based on RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females. Mortality rates for disabled were based on RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of July 1, 2015.

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, 2018 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	30.75%	4.00%
Domestic Equity - Small/Mid Cap	16.25%	6.00%
International Equity - Developed Market	6.50%	4.50%
International Equity - Emerging Market	3.25%	7.00%
Domestic Fixed Income	20.00%	2.00%
International Fixed Income	10.00%	3.00%
Alternatives	0.00%	6.50%
Real Estate	8.25%	6.25%
Cash	<u>5.00%</u>	0.00%
Total	<u><u>100.00%</u></u>	

#### C. Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members 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. As a result, a blended discount rate was used based on a combination of the investment rate of return of 6.44% and municipal bond rate of 3.45% (based on index provided by S&P on 20-year municipal bond rate as of June 30, 2018).

#### D. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2018, were as follows:

Total OPEB liability	\$ 76,391,404
Plan fiduciary net position	<u>4,554,552</u>
Net OPEB liability	<u><u>\$ 71,836,852</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	5.96%

**E. 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 one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 94,434,121	\$ 71,836,852	\$ 54,058,510

**F. 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 one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 62,086,307	\$ 71,836,852	\$ 83,902,187

**22. Subsequent Events**

Subsequent to June 30, 2018, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
School windows	\$ 1,165,000	3.00%	10/03/18	08/15/19
Prospect Hill water tank	2,000,000	3.00%	10/03/18	08/15/19
Road bonds	575,000	3.00%	10/03/18	08/15/19
Vine Brook water system	500,000	3.00%	10/03/18	08/15/19
Roudenbush Building renovations	<u>3,000,000</u>	3.50%	10/03/18	08/15/19
Subtotal - bond anticipation notes	7,240,000			
General obligation bond	<u>4,580,000</u>	3.00 - 5.00%	10/03/18	02/01/30
Subtotal - bonds	<u>4,580,000</u>			
Totals	<u>\$ 11,820,000</u>			

**23. 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.

**24. Beginning Net Position Restatement**

The beginning (July 1, 2017) net position of the Town was restated as follows:

Government-Wide Financial Statements:

		Business-Type Activities		
	Governmental Activities	Water Fund	Nonmajor Enterprise Funds	Total
As previously reported	\$ 141,231,794	\$ 36,110,141	\$ 1,190,361	\$ 37,300,502
Implementation of GASB 75 OPEB	<u>(23,731,119)</u>	<u>(910,024)</u>	<u>(235,433)</u>	<u>(1,145,457)</u>
As restated	<u>\$ 117,500,675</u>	<u>\$ 35,200,117</u>	<u>\$ 954,928</u>	<u>\$ 36,155,045</u>

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

**JUNE 30, 2018**  
**(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, 2018	December 31, 2017	3.642858%	\$51,698,881	\$ 24,255,608	213.14%	49.27%
June 30, 2017	December 31, 2016	3.733888%	\$52,904,581	\$ 24,100,833	219.51%	45.49%
June 30, 2016	December 31, 2015	3.671119%	\$47,358,134	\$ 22,663,136	208.97%	46.13%
June 30, 2015	December 31, 2015	3.579206%	\$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, 2018	June 30, 2017	0.543505%	\$ -	\$ 124,383,239	\$ 124,383,239	\$ 36,906,533	-	54.25%
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, 2018  
(Unaudited)**

Middlesex Regional Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	December 31, 2017	\$ 4,619,903	\$ 4,619,903	\$ -	\$ 24,255,608	19.05%
June 30, 2017	December 31, 2016	\$ 4,238,879	\$ 4,238,879	\$ -	\$ 24,100,833	17.59%
June 30, 2016	December 31, 2015	\$ 3,993,806	\$ 3,993,806	\$ -	\$ 22,663,136	17.62%
June 30, 2015	December 31, 2015	\$ 3,808,963	\$ 3,808,963	\$ -	\$ 21,791,477	17.48%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	June 30, 2017	\$ 6,715,086	\$ 6,715,086	\$ -	\$ 36,906,533	18.19%
June 30, 2017	June 30, 2016	\$ 6,134,226	\$ 6,134,226	\$ -	\$ 35,878,937	17.10%
June 30, 2016	June 30, 2015	\$ 5,559,647	\$ 5,559,647	\$ -	\$ 34,485,706	16.12%
June 30, 2015	June 30, 2014	\$ 4,972,350	\$ 4,972,350	\$ -	\$ 32,524,633	15.29%

*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  
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Schedule of Changes in the Net OPEB Liability (GASB 74 and 75)**

(Unaudited)

	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>		
Service cost	\$ 2,695,924	\$ 3,379,477
Interest on unfunded liability - time value of \$	4,871,606	3,932,112
Differences between expected and actual experience	-	(2,545,735)
Changes of assumptions	(12,065,335)	-
Benefit payments, including refunds of member contributions	<u>(2,245,506)</u>	<u>(2,042,259)</u>
Net change in total OPEB liability	(6,743,311)	2,723,595
Total OPEB liability - beginning	<u>83,134,715</u>	<u>80,411,120</u>
<b>Total OPEB liability - ending (a)</b>	76,391,404	83,134,715
 <b>Plan fiduciary net position</b>		
Contributions - employer	3,245,991	3,162,513
Net investment income	(4,960)	152,263
Benefit payments, including refunds of member contributions	<u>(2,245,506)</u>	<u>(2,042,259)</u>
Net change in plan fiduciary net position	995,525	1,272,517
Plan fiduciary net position - beginning	<u>3,559,027</u>	<u>2,286,510</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>4,554,552</u>	<u>3,559,027</u>
<b>Net OPEB liability (asset) - ending (a-b)</b>	<u>\$ 71,836,852</u>	<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 and 75)**

(Unaudited)

**Schedule of Net OPEB Liability**

	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 76,391,404	\$ 83,134,715
Plan fiduciary net position	<u>4,554,552</u>	<u>3,559,027</u>
Net OPEB liability (asset)	<u>\$ 71,836,852</u>	<u>\$ 79,575,688</u>
Plan fiduciary net position as a percentage of the total OPEB liability	5.96%	4.28%
Covered employee payroll	\$ 57,273,016	\$ 57,373,661
Participating employer net OPEB liability (asset) as a percentage of covered employee payroll	125.43%	138.70%

**Schedule of Contributions**

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 8,017,242	\$ 3,162,513
Contributions in relation to the actuarially determined contribution	<u>3,245,991</u>	<u>3,162,513</u>
Contribution deficiency (excess)	<u>\$ 4,771,251</u>	<u>\$ -</u>
Covered employee payroll	\$ 58,991,206	\$ 57,373,661
Contributions as a percentage of covered employee payroll	5.50%	5.51%

**Schedule of Investment Returns**

	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	-0.12%	14.69%

*Schedules are intended to show information for 10 years.  
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.