

TOWN OF BILLERICA, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2017

TOWN OF BILLERICA, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

TABLE OF CONTENTS

Independent Auditor's Report.....1
Management's Discussion and Analysis4
Basic Financial Statements12
 Statement of net position13
 Statement of activities14
 Governmental funds – balance sheet16
 Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position17
 Governmental funds – statement of revenues, expenditures and changes in fund balances18
 Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities19
 Proprietary funds – statement of net position20
 Proprietary funds – statement of revenues, expenses, and changes in net position21
 Proprietary funds – statement of cash flows22
 Fiduciary funds – statement of fiduciary net position23
 Fiduciary funds – statement of changes in fiduciary net position24
 Notes to basic financial statements25
Required Supplementary Information62
 Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual63
 Pension Plan Schedules64
 Schedule of the Town's proportionate share of the net pension liability65
 Schedule of the Town's contributions66
 Schedule of special funding amounts67
 Other Postemployment Benefits Plan Schedules68
 Schedule of changes in the Town's net OPEB liability and related ratios69
 Schedule of Town contributions70
 Schedule of investment returns71
 Schedule of funding progress and employer contributions72
 Actuarial methods and assumptions73
Notes to Required Supplementary Information74



100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Billerica, Massachusetts

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 Billerica, Massachusetts, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Billerica, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of 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 Billerica, Massachusetts, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof 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 the management's discussion and analysis and required supplementary information, as listed in the table of contents, 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 sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018 on our consideration of the Town of Billerica, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



March 28, 2018

This page left intentionally blank.

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Billerica, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2017. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Billerica's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund based) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. The 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 finances, in a manner similar to private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent 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 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, human services, culture and recreation, and interest.

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 statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the 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*.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The Town's general fund is considered a major fund for presentation purposes. The major funds are presented in separate columns in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are aggregated and shown as nonmajor governmental funds.

Proprietary funds. The Town maintains two types of proprietary funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses its internal service fund to account for self-insured health insurance activities.

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 statement 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 the basic 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.

Financial Highlights. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Billerica's governmental liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources for governmental activities by \$76.0 million and the business-type assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$70.4 million at the close of the most recent year. Key components of the Town's activities are presented on the following pages.

Governmental Activities

Governmental net position of \$96.1 million reflects investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its 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 the net position, \$4.4 million, represents resources that are subject to external restrictions on how they may be used. At June 30, 2017, the remaining balance of *unrestricted net position* has a deficit of \$176.4 million. The primary reason for this deficit balance is the recognition of OPEB and net pension liabilities.

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets.....	\$ 157,935,575	\$ 67,065,904
Capital assets.....	<u>127,273,323</u>	<u>100,690,558</u>
Total assets.....	<u>285,208,898</u>	<u>167,756,462</u>
Deferred Outflows of Resources:		
Deferred loss on refunding.....	65,480	84,742
Deferred outflows of resources related to pensions.....	<u>15,683,652</u>	<u>5,872,575</u>
Total deferred outflows.....	<u>15,749,132</u>	<u>5,957,317</u>
Liabilities:		
Current liabilities (excluding debt).....	10,795,762	6,952,999
Noncurrent liabilities (excluding debt).....	252,743,580	222,597,918
Current debt.....	12,051,666	5,706,705
Noncurrent debt.....	<u>99,507,970</u>	<u>14,521,636</u>
Total liabilities.....	<u>375,098,978</u>	<u>249,779,258</u>
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions.....	<u>1,889,087</u>	<u>1,552,581</u>
Net Position:		
Net investment in capital assets.....	96,055,858	83,034,513
Restricted.....	4,358,119	4,428,570
Unrestricted.....	<u>(176,444,012)</u>	<u>(165,081,143)</u>
Total net position.....	<u>\$ (76,030,035)</u>	<u>\$ (77,618,060)</u>

	<u>2017</u>	<u>2016</u>
Program Revenues:		
Charges for services.....	\$ 9,596,762	\$ 9,194,728
Operating grants and contributions.....	38,114,147	34,267,740
Capital grants and contributions.....	14,477,686	3,716,369
General Revenues:		
Real estate and personal property taxes.....	111,361,132	108,165,697
Tax liens.....	2,831,156	1,435,755
Motor vehicle and other excise taxes.....	6,961,276	6,704,805
Hotel/motel tax.....	1,391,673	1,081,089
Penalties and interest on taxes.....	614,336	386,137
Payments in lieu of taxes.....	141,502	154,750
Nonrestricted grants.....	5,598,866	5,398,039
Unrestricted investment income.....	916,668	1,093,494
Total revenues.....	<u>192,005,204</u>	<u>171,598,603</u>
Expenses:		
General government.....	9,206,103	9,239,498
Public safety.....	35,200,363	34,337,528
Education.....	119,620,542	108,562,441
Public works.....	11,752,435	11,953,811
Human services.....	2,445,657	2,358,258
Culture and recreation.....	5,354,688	5,062,881
Interest.....	1,112,589	551,552
Total expenses.....	<u>184,692,377</u>	<u>172,065,969</u>
Excess (deficiency) before transfers.....	7,312,827	(467,366)
Transfers.....	<u>(5,724,802)</u>	<u>(6,454,287)</u>
Change in net position.....	1,588,025	(6,921,653)
Net position - beginning.....	<u>(77,618,060)</u>	<u>(70,696,407)</u>
Net position - ending.....	\$ <u>(76,030,035)</u>	\$ <u>(77,618,060)</u>

Governmental activities increased the Town's net position by \$1.6 million during the current year due to several offsetting factors. Net position increased as a result of positive budgetary results in the general fund, including revenues received exceeding anticipated amounts by \$6.4 million. Net position also increased due to the receipt of \$14.5 million of capital grant revenue primarily relating to the reimbursement of construction costs on the new middle/high school project through the Massachusetts School Building Authority. Net position decreased due to a \$15 million increase in the Town's other postemployment benefits obligation, as well as due to a \$5.6 million increase in the net pension liability after considering the related deferred outflows and inflows of resources related to pensions.

The governmental activities supported the operations of the water and sewer enterprise funds in the form of a \$5.7 million operating contribution to cover operating losses.

Business-type Activities

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets.....	\$ 16,304,880	\$ 15,552,616
Noncurrent assets (excluding capital).....	3,137,010	3,556,571
Capital assets not being depreciated.....	716,021	716,021
Capital assets, net of accumulated depreciation.....	<u>141,075,521</u>	<u>138,770,448</u>
Total assets.....	<u>161,233,432</u>	<u>158,595,656</u>
Deferred Outflows of Resources:		
Deferred loss on refunding.....	249,163	329,393
Deferred outflows of resources related to pensions....	<u>1,622,036</u>	<u>607,354</u>
Total deferred outflows.....	<u>1,871,199</u>	<u>936,747</u>
Liabilities:		
Current liabilities (excluding debt).....	1,417,688	1,635,203
Noncurrent liabilities (excluding debt).....	20,912,814	18,728,698
Current debt.....	18,656,095	13,261,044
Noncurrent debt.....	<u>51,499,504</u>	<u>57,006,817</u>
Total liabilities.....	<u>92,486,101</u>	<u>90,631,762</u>
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions.....	<u>195,373</u>	<u>160,571</u>
Net Position:		
Net investment in capital assets.....	75,432,473	73,742,239
Unrestricted.....	<u>(5,009,316)</u>	<u>(5,002,169)</u>
Total net position.....	<u>\$ 70,423,157</u>	<u>\$ 68,740,070</u>

Water and sewer business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$70.4 million at the close of 2017. The investment in capital assets, net of related debt, was \$75.4 million while unrestricted net position was in a deficit balance of \$5.0 million.

	<u>2017</u>	<u>2016</u>
Program Revenues:		
Charges for services.....	\$ 10,013,103	\$ 9,466,319
Operating grants and contributions.....	480,804	536,809
Capital grants and contributions.....	69,257	-
Total revenues.....	<u>10,563,164</u>	<u>10,003,128</u>
Expenses:		
Water.....	6,555,638	6,486,293
Sewer.....	<u>8,049,241</u>	<u>7,510,583</u>
Total expenses.....	<u>14,604,879</u>	<u>13,996,876</u>
Excess (deficiency) before transfers.....	(4,041,715)	(3,993,748)
Transfers.....	<u>5,724,802</u>	<u>6,454,287</u>
Change in net position.....	1,683,087	2,460,539
Net position - beginning.....	<u>68,740,070</u>	<u>66,279,531</u>
Net position - ending.....	<u>\$ 70,423,157</u>	<u>\$ 68,740,070</u>

The business-type activities show a \$4 million deficit before transfers and operating contributions. The operating deficit primarily relates to the fact that charges for services for the water enterprise fund and the sewer enterprise fund are not set to recover the respective operating and interest costs. The general fund currently subsidizes the operating deficits.

The business-type activities increased by \$1.6 million during the year primarily due to better than anticipated user charge collections, as well as the sewer fund retaining \$1.1 million for debt stabilization.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town of Billerica's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Billerica's 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 year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$129.2 million, an increase of \$87.3 million from the prior year.

General Fund

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$34.1 million, while total fund balance was \$36.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22.2% of total general fund expenditures, while total fund balance represents 23.7% of that same amount.

School Capital Projects Fund

The school capital projects fund is primarily used to account for the activity associated with the construction of the new middle/high school construction project. The fund had a balance of \$83.7 million at year-end, an increase of \$82 million over the prior year. This increase is largely the result of the Town permanently financing a significant portion of its share of construction costs. The remaining portion of construction costs will be funded through reimbursements received from the Massachusetts School Building Authority.

General Fund Budgetary Highlights

The Town of Billerica adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Actual revenues received were greater than budgeted by \$6.4 million, primarily due to the collection of \$2.8 million of unbudgeted tax lien and tax foreclosure receipts, as well as higher than anticipated motor vehicle excise tax collections.

Actual expenditures and carryovers were essentially in line with budgeted amounts. The budgetary fund balance increased by \$1.7 million largely as a result of the Town voting to fund portions of the budget with free cash and other reserves, offset by the greater than anticipated revenues.

Capital Asset and Debt Administration

In conjunction with the operating budget, the Town annually prepares capital budgets for each upcoming year.

The major business-type capital asset activity included \$849,000 of water infrastructure improvements, \$235,000 of water vehicle purchases, as well as \$5.9 million of sewer infrastructure improvements. The business-type activities total capital assets net of accumulated depreciation was \$141.8 million at the end of 2017.

The Town's governmental major capital activity related to \$7.2 million of Chapter 90 and other roadway upgrade costs, \$1.8 million for Town building improvements, \$1.2 million for Town center improvements, and \$19.1 million for construction of the new middle/high school. The funding for these capital expenditures came from general fund appropriations, bond proceeds, and capital grants from the Commonwealth. The governmental activities total capital assets net of accumulated depreciation was \$127.3 million at the end of 2017.

Outstanding long-term debt, as of June 30, 2017, totaled \$161.6 million, of which \$57.1 million relates to various water and sewer projects, and \$104.5 million relates to various school and general governmental projects.

Outstanding short-term debt, as of June 30, 2017, totaled \$20.1 million, of which \$3.5 million relates to roadway improvements, \$3.5 million relates to school building improvements, \$12.6 million relates to various sewer projects, and \$500,000 relates to water infrastructure improvements.

Requests for Information

This financial report is designed to provide a general overview of the Town of Billerica'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 the Office of the Town Accountant, Town Hall, 365 Boston Road, Billerica, Massachusetts 01821.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2017

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 120,051,582	\$ 11,762,213	\$ 131,813,795
Investments.....	18,286,205	921,961	19,208,166
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,400,733	-	1,400,733
Tax liens.....	5,014,728	-	5,014,728
Motor vehicle and other excise taxes.....	900,371	-	900,371
User fees.....	-	3,210,349	3,210,349
Departmental and other.....	554,391	-	554,391
Intergovernmental.....	9,695,413	410,357	10,105,770
Working capital deposit.....	93,200	-	93,200
Tax foreclosures.....	1,938,952	-	1,938,952
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	3,137,010	3,137,010
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	42,863,950	716,021	43,579,971
Depreciable.....	84,409,373	141,075,521	225,484,894
TOTAL ASSETS.....	285,208,898	161,233,432	446,442,330
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions.....	15,683,652	1,622,036	17,305,688
Deferred loss on refunding.....	65,480	249,163	314,643
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	15,749,132	1,871,199	17,620,331
LIABILITIES			
CURRENT:			
Warrants payable.....	5,662,332	524,671	6,187,003
Accrued payroll.....	392,638	89,196	481,834
Health claims payable.....	1,042,000	-	1,042,000
Tax refunds payable.....	1,136,000	-	1,136,000
Accrued interest.....	716,034	572,821	1,288,855
Other liabilities.....	275,480	-	275,480
Advance collections.....	140,278	-	140,278
Compensated absences.....	1,431,000	231,000	1,662,000
Notes payable.....	7,013,000	13,083,780	20,096,780
Bonds payable.....	5,038,666	5,572,315	10,610,981
NONCURRENT:			
Compensated absences.....	1,938,000	277,000	2,215,000
Net pension liability.....	130,242,669	13,469,966	143,712,635
Other postemployment benefits.....	120,562,911	7,165,848	127,728,759
Bonds payable.....	99,507,970	51,499,504	151,007,474
TOTAL LIABILITIES.....	375,098,978	92,486,101	467,585,079
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions.....	1,889,087	195,373	2,084,460
NET POSITION			
Net investment in capital assets.....	96,055,858	75,432,473	171,488,331
Restricted for:			
Permanent funds:			
Expendable.....	55,831	-	55,831
Nonexpendable.....	1,976,169	-	1,976,169
Grants and gifts.....	2,326,119	-	2,326,119
Unrestricted.....	(176,444,012)	(5,009,316)	(181,453,328)
TOTAL NET POSITION.....	\$ (76,030,035)	\$ 70,423,157	\$ (5,606,878)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 9,206,103	\$ 1,335,173	\$ 118,226	\$ -	\$ (7,752,704)
Public safety.....	35,200,363	3,657,277	345,541	119,538	(31,078,007)
Education.....	119,620,542	3,084,448	36,823,347	11,402,126	(68,310,621)
Public works.....	11,752,435	315,118	66,324	2,928,242	(8,442,751)
Human services.....	2,445,657	314,772	697,021	-	(1,433,864)
Culture and recreation.....	5,354,688	889,974	63,688	27,780	(4,373,246)
Interest.....	1,112,589	-	-	-	(1,112,589)
Total Governmental Activities.....	184,692,377	9,596,762	38,114,147	14,477,686	(122,503,782)
<i>Business-Type Activities:</i>					
Water.....	6,555,638	5,038,506	480,804	-	(1,036,328)
Sewer.....	8,049,241	4,974,597	-	69,257	(3,005,387)
Total Business-Type Activities.....	14,604,879	10,013,103	480,804	69,257	(4,041,715)
Total Primary Government.....	\$ 199,297,256	\$ 19,609,865	\$ 38,594,951	\$ 14,546,943	\$ (126,545,497)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (122,503,782)	\$ (4,041,715)	\$ (126,545,497)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds.....	111,361,132	-	111,361,132
Tax liens.....	2,831,156	-	2,831,156
Motor vehicle excise taxes.....	6,961,276	-	6,961,276
Hotel/motel tax.....	1,391,673	-	1,391,673
Penalties and interest on taxes.....	614,336	-	614,336
Payments in lieu of taxes.....	141,502	-	141,502
Grants and contributions not restricted to specific programs.....	5,598,866	-	5,598,866
Unrestricted investment income.....	916,668	-	916,668
<i>Transfers, net</i>	(5,724,802)	5,724,802	-
Total general revenues and transfers.....	124,091,807	5,724,802	129,816,609
Change in net position.....	1,588,025	1,683,087	3,271,112
<i>Net Position:</i>			
Beginning of year.....	(77,618,060)	68,740,070	(8,877,990)
End of year.....	\$ (76,030,035)	\$ 70,423,157	\$ (5,606,878)

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2017

	General	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 22,729,536	\$ 83,963,312	\$ 10,861,617	\$ 117,554,465
Investments.....	16,503,655	-	1,782,550	18,286,205
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	1,400,733	-	-	1,400,733
Tax liens.....	5,014,728	-	-	5,014,728
Motor vehicle and other excise taxes.....	900,371	-	-	900,371
Departmental and other.....	554,391	-	-	554,391
Intergovernmental.....	-	6,849,684	2,845,729	9,695,413
Tax foreclosures.....	1,938,952	-	-	1,938,952
TOTAL ASSETS.....	\$ 49,042,366	\$ 90,812,996	\$ 15,489,896	\$ 155,345,258
LIABILITIES				
Warrants payable.....	\$ 1,283,004	\$ 3,621,141	\$ 758,187	\$ 5,662,332
Accrued payroll.....	392,638	-	-	392,638
Tax refunds payable.....	1,136,000	-	-	1,136,000
Other liabilities.....	275,480	-	-	275,480
Advance collections.....	-	-	140,278	140,278
Notes payable.....	-	3,500,000	3,513,000	7,013,000
TOTAL LIABILITIES.....	3,087,122	7,121,141	4,411,465	14,619,728
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues.....	9,551,685	-	1,985,963	11,537,648
FUND BALANCES				
Nonspendable.....	-	-	1,976,169	1,976,169
Restricted.....	-	83,691,855	9,961,406	93,653,261
Assigned.....	2,327,764	-	-	2,327,764
Unassigned.....	34,075,795	-	(2,845,107)	31,230,688
TOTAL FUND BALANCES.....	36,403,559	83,691,855	9,092,468	129,187,882
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 49,042,366	\$ 90,812,996	\$ 15,489,896	\$ 155,345,258

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

YEAR ENDED JUNE 30, 2017

Total governmental fund balances.....		\$ 129,187,882
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		127,273,323
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		11,537,648
Changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....		13,794,565
Internal service funds are used by management to account for employee and retiree health insurance activities:		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		1,548,317
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(716,034)
Long-term liabilities are not due and payable in the current period and deferred outflows of resources are long-term, and therefore, are not reported in the governmental funds:		
Bonds payable.....	(104,546,636)	
Deferred loss on refunding.....	65,480	
Compensated absences.....	(3,369,000)	
Net pension liability.....	(130,242,669)	
Other postemployment benefits.....	(120,562,911)	
Net effect of reporting long-term liabilities.....		<u>(358,655,736)</u>
Net position of governmental activities.....		<u>\$ (76,030,035)</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2017

	General	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 111,747,418	\$ -	\$ -	\$ 111,747,418
Tax liens.....	2,801,910	-	-	2,801,910
Motor vehicle excise tax.....	6,952,412	-	-	6,952,412
Hotel/motel tax.....	1,391,673	-	-	1,391,673
Charges for services.....	-	-	422,536	422,536
Penalties and interest on taxes.....	614,336	-	-	614,336
Fees and rentals.....	2,687,740	-	-	2,687,740
Licenses and permits.....	1,308,399	-	-	1,308,399
Intergovernmental.....	38,652,102	11,052,126	12,755,480	62,459,708
Departmental and other.....	624,601	-	3,697,661	4,322,262
Contributions.....	-	-	157,202	157,202
Investment income.....	769,230	-	59,853	829,083
TOTAL REVENUES.....	167,549,821	11,052,126	17,092,732	195,694,679
EXPENDITURES:				
Current:				
General government.....	4,900,145	-	616,466	5,516,611
Public safety.....	17,843,485	-	815,975	18,659,460
Education.....	69,786,984	19,592,273	6,894,216	96,273,473
Public works.....	8,004,620	-	9,089,117	17,093,737
Human services.....	1,209,067	-	478,180	1,687,247
Culture and recreation.....	1,924,851	-	1,769,747	3,694,598
Pension benefits.....	23,065,702	-	-	23,065,702
Employee benefits.....	16,519,618	-	-	16,519,618
Building insurance.....	987,402	-	-	987,402
State and county charges.....	5,141,664	-	-	5,141,664
Capital outlay.....	866,148	-	-	866,148
Debt service:				
Principal.....	2,581,539	-	-	2,581,539
Interest.....	611,633	-	-	611,633
TOTAL EXPENDITURES.....	153,442,858	19,592,273	19,663,701	192,698,832
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	14,106,963	(8,540,147)	(2,570,969)	2,995,847
OTHER FINANCING SOURCES (USES):				
Issuance of long-term debt.....	-	85,310,000	-	85,310,000
Issuance of refunding bonds.....	675,000	-	-	675,000
Premium from issuance of bonds.....	-	4,690,000	-	4,690,000
Payments to refunded bond escrow agent.....	(671,342)	-	-	(671,342)
Operating subsidy to enterprise funds.....	(5,679,802)	-	-	(5,679,802)
Transfers in.....	131,125	500,000	3,278,745	3,909,870
Transfers out.....	(3,870,000)	-	(84,870)	(3,954,870)
TOTAL OTHER FINANCING SOURCES (USES).....	(9,415,019)	90,500,000	3,193,875	84,278,856
NET CHANGE IN FUND BALANCES.....	4,691,944	81,959,853	622,906	87,274,703
FUND BALANCES AT BEGINNING OF YEAR.....	31,711,615	1,732,002	8,469,562	41,913,179
FUND BALANCES AT END OF YEAR.....	\$ 36,403,559	\$ 83,691,855	\$ 9,092,468	\$ 129,187,882

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds.....		\$ 87,274,703
<p>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:</p>		
Capital outlay.....	30,533,013	
Depreciation expense.....	<u>(3,950,248)</u>	
Net effect of reporting capital assets.....		26,582,765
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable 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 unavailable revenue.....</p>		
		(3,776,897)
<p>The issuance of long-term debt (e.g., bonds and leases) 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Position:</p>		
Issuance from refunding bonds.....	(675,000)	
Premium from the issuance of bonds and notes.....	(4,690,000)	
Issuance from bonds and notes.....	(85,310,000)	
Debt service principal payments.....	<u>3,231,539</u>	
Net effect of reporting long-term debt.....		(87,443,461)
<p>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:</p>		
Net change in other postemployment benefits accrual.....	(15,031,911)	
Net change in compensated absences accrual.....	(53,000)	
Net change in accrued interest on long-term debt.....	(606,861)	
Net change in net pension liability.....	(15,076,751)	
Amortization of deferred outflows/(inflows) of resources related to pensions.....	9,474,571	
Amortization of premium.....	125,166	
Amortization of deferred loss on refunding.....	<u>(19,262)</u>	
Net effect of recording long-term liabilities.....		(21,188,048)
<p>Internal service funds are used by management to account for employee and retiree health insurance activities:</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>138,963</u>
Change in net position of governmental activities.....		<u>\$ 1,588,025</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Enterprise	Sewer Enterprise	Total	
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 9,730,966	\$ 2,031,247	\$ 11,762,213	\$ 2,497,117
Receivables, net of allowance for uncollectibles:				
User fees.....	1,552,789	1,657,560	3,210,349	-
Intergovernmental.....	410,357	-	410,357	-
Working capital deposit.....	-	-	-	93,200
Total current assets.....	<u>11,694,112</u>	<u>4,610,768</u>	<u>16,304,880</u>	<u>2,590,317</u>
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	3,137,010	-	3,137,010	-
Capital assets, net of accumulated depreciation:				
Nondepreciable.....	65,957	650,064	716,021	-
Depreciable.....	41,279,019	99,796,502	141,075,521	-
Total noncurrent assets.....	<u>44,481,986</u>	<u>100,446,566</u>	<u>144,928,552</u>	<u>-</u>
TOTAL ASSETS.....	<u>56,176,098</u>	<u>105,057,334</u>	<u>161,233,432</u>	<u>2,590,317</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions.....	994,930	627,106	1,622,036	-
Deferred loss on refunding.....	19,173	229,990	249,163	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>1,014,103</u>	<u>857,096</u>	<u>1,871,199</u>	<u>-</u>
LIABILITIES				
CURRENT:				
Warrants payable.....	240,043	284,628	524,671	-
Accrued payroll.....	59,705	29,491	89,196	-
Health claims payable.....	-	-	-	1,042,000
Accrued interest.....	301,683	271,138	572,821	-
Compensated absences.....	146,000	85,000	231,000	-
Notes payable.....	500,000	12,583,780	13,083,780	-
Bonds payable.....	2,074,725	3,497,590	5,572,315	-
Total current liabilities.....	<u>3,322,156</u>	<u>16,751,627</u>	<u>20,073,783</u>	<u>1,042,000</u>
NONCURRENT:				
Compensated absences.....	192,000	85,000	277,000	-
Net pension liability.....	8,262,251	5,207,715	13,469,966	-
Other postemployment benefits.....	3,444,168	3,721,680	7,165,848	-
Bonds payable.....	14,180,025	37,319,479	51,499,504	-
Total noncurrent liabilities.....	<u>26,078,444</u>	<u>46,333,874</u>	<u>72,412,318</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>29,400,600</u>	<u>63,085,501</u>	<u>92,486,101</u>	<u>1,042,000</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions.....	119,839	75,534	195,373	-
NET POSITION				
Net investment in capital assets.....	28,156,766	47,275,707	75,432,473	-
Unrestricted.....	(487,004)	(4,522,312)	(5,009,316)	1,548,317
TOTAL NET POSITION.....	<u>\$ 27,669,762</u>	<u>\$ 42,753,395</u>	<u>\$ 70,423,157</u>	<u>\$ 1,548,317</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	Water Enterprise	Sewer Enterprise	Total	
<u>OPERATING REVENUES:</u>				
Employee contributions.....	\$ -	\$ -	\$ -	\$ 4,782,804
Employer contributions.....	-	-	-	13,514,282
Charges for services.....	5,038,506	4,646,599	9,685,105	-
Other.....	-	327,998	327,998	-
TOTAL OPERATING REVENUES.....	5,038,506	4,974,597	10,013,103	18,297,086
<u>OPERATING EXPENSES:</u>				
Cost of services and administration.....	4,330,200	3,768,511	8,098,711	-
Depreciation.....	1,417,414	3,307,470	4,724,884	-
Employee benefits.....	-	-	-	18,245,545
TOTAL OPERATING EXPENSES.....	5,747,614	7,075,981	12,823,595	18,245,545
OPERATING INCOME (LOSS).....	(709,108)	(2,101,384)	(2,810,492)	51,541
<u>NONOPERATING REVENUES (EXPENSES):</u>				
Investment income.....	-	-	-	87,422
Interest expense.....	(808,024)	(973,260)	(1,781,284)	-
Intergovernmental.....	-	69,257	69,257	-
Intergovernmental interest subsidy.....	480,804	-	480,804	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(327,220)	(904,003)	(1,231,223)	87,422
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS.....	(1,036,328)	(3,005,387)	(4,041,715)	138,963
<u>TRANSFERS:</u>				
Operating subsidy from the general fund.....	1,758,656	3,921,146	5,679,802	-
Transfers in.....	-	95,000	95,000	-
Transfers out.....	(50,000)	-	(50,000)	-
TOTAL TRANSFERS.....	1,708,656	4,016,146	5,724,802	-
CHANGE IN NET POSITION.....	672,328	1,010,759	1,683,087	138,963
NET POSITION AT BEGINNING OF YEAR.....	26,997,434	41,742,636	68,740,070	1,409,354
NET POSITION AT END OF YEAR.....	\$ 27,669,762	\$ 42,753,395	\$ 70,423,157	\$ 1,548,317

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Enterprise	Sewer Enterprise	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users.....	\$ 4,822,302	\$ 4,974,597	\$ 9,796,899	\$ -
Receipts from interfund services provided.....	-	-	-	18,297,086
Payments to vendors.....	(2,765,373)	(3,249,665)	(6,015,038)	-
Payments to employees.....	(815,705)	(697,588)	(1,513,293)	-
Payments for interfund services used.....	-	-	-	(18,218,545)
NET CASH FROM OPERATING ACTIVITIES.....	1,241,224	1,027,344	2,268,568	78,541
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in.....	-	95,000	95,000	-
Transfers out.....	(50,000)	-	(50,000)	-
Operating contributions.....	1,758,656	3,921,146	5,679,802	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	1,708,656	4,016,146	5,724,802	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from the issuance of bonds and notes.....	500,000	6,829,108	7,329,108	-
Intergovernmental.....	-	69,257	69,257	-
Acquisition and construction of capital assets.....	(1,083,674)	(5,946,283)	(7,029,957)	-
Principal payments on bonds and notes.....	(2,097,665)	(5,408,705)	(7,506,370)	-
Interest expense.....	(293,418)	(912,153)	(1,205,571)	-
Other capital construction funds.....	392,355	254,516	646,871	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,582,402)	(5,114,260)	(7,696,662)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments.....	-	(921,961)	(921,961)	-
Investment income.....	-	-	-	87,422
NET CASH FROM INVESTING ACTIVITIES.....	-	(921,961)	(921,961)	87,422
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	367,478	(992,731)	(625,253)	165,963
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	9,363,488	3,023,978	12,387,466	2,331,154
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 9,730,966	\$ 2,031,247	\$ 11,762,213	\$ 2,497,117
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH				
FROM OPERATING ACTIVITIES:				
Operating income (loss).....	\$ (709,108)	\$ (2,101,384)	\$ (2,810,492)	\$ 51,541
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Deferred (outflows)/inflows related to pensions.....	(601,042)	(378,838)	(979,880)	-
Depreciation.....	1,417,414	3,307,470	4,724,884	-
Changes in assets and liabilities:				
User fees.....	(216,204)	(466,662)	(682,866)	-
Warrants payable.....	(17,496)	(81,184)	(98,680)	-
Accrued payroll.....	(16,937)	(30,577)	(47,514)	-
Health claims payable.....	-	-	-	27,000
Compensated absences.....	4,000	(46,000)	(42,000)	-
Other postemployment benefits.....	424,168	221,680	645,848	-
Net pension liability.....	956,429	602,839	1,559,268	-
Total adjustments.....	1,950,332	3,128,728	5,079,060	27,000
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,241,224	\$ 1,027,344	\$ 2,268,568	\$ 78,541
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
MCWT debt service subsidy.....	\$ 480,804	-	\$ 480,804	-
Debt and related premium issuance for an advanced refunding.....	2,123,846	-	2,123,846	-
Payment to the escrow agent and issuance expenses.....	(2,123,846)	-	(2,123,846)	-

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 21,158	\$ 982,514	\$ 1,538,288
Investments.....	<u>1,698,519</u>	<u>530,788</u>	<u>-</u>
TOTAL ASSETS.....	<u>1,719,677</u>	<u>1,513,302</u>	<u>1,538,288</u>
LIABILITIES			
Liabilities due depositors.....	<u>-</u>	<u>-</u>	<u>1,538,288</u>
NET POSITION			
Held in trust for postemployment benefits and other purposes.....	<u>\$ 1,719,677</u>	<u>\$ 1,513,302</u>	<u>\$ -</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2017

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions to pay benefits.....	\$ 8,729,000	\$ -
Private donations.....	-	45,098
Total contributions.....	8,729,000	45,098
Net investment income:		
Interest and dividends.....	93,675	125,121
TOTAL ADDITIONS.....	8,822,675	170,219
DEDUCTIONS:		
Benefit payments.....	8,729,000	-
Educational scholarships.....	-	143,296
TOTAL DEDUCTIONS.....	8,729,000	143,296
CHANGE IN NET POSITION.....	93,675	26,923
NET POSITION AT BEGINNING OF YEAR.....	1,626,002	1,486,379
NET POSITION AT END OF YEAR.....	\$ 1,719,677	\$ 1,513,302

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Billerica, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town of Billerica is a municipal corporation governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. The Town has determined that there are no component units.

Joint Ventures

The Town is a member of the Shawsheen Regional Technical High School District that provides for the education of only the Town's high school students. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2017 assessment was \$9,225,999.

B. Government-Wide and Fund Financial Statements*Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds 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. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least

10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service and fiduciary funds are reported by fund type.

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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal 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.

The statement of activities demonstrates the degree to which the direct expenses of a particular 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 the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt which is recognized when due, and certain

compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *school capital projects fund* is used to account for all financial resources associated with school capital projects, including the new middle/high school project.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for financial activity that occurs as a result of the ongoing operations within the water department.

The *sewer enterprise fund* is used to account for the financial activity that occurs as a result of the ongoing operations within the sewer department.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to the self-insured employee health program.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *other postemployment benefits trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefits) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to authorize spending of the realized investment earnings. The Town's educational scholarship trusts are accounted for in this fund.

The *agency fund* is primarily used to account for public works and planning board performance bonds, police detail activity and student activity funds but also accounts for any asset that is held in a purely custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on July 1st and January 1st 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 August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Tax liens are processed within 30 days of the close of the following year end for all taxes that are considered delinquent at that time. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectible accounts is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

Sewer

User fees are levied three times a year in December, March, and August based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed every year and included as a lien on the property owner's tax bill. Sewer charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

Water

User fees are levied three times a year in December, March, and August based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed every year and included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

G. Inventories***Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets***Government-Wide Financial Statements***

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in process) are depreciated on a straight-line basis over the estimated useful life of the asset. The estimated useful lives of capital assets being depreciated are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20-30
Buildings.....	20-40
Vehicles.....	5-15
Machinery and equipment.....	5-10
Infrastructure.....	40-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has recorded deferred losses on refunding and deferred outflows of resources related to pensions in this category in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has recorded deferred inflows of resources related to pensions in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting, i.e. receivables that are not considered to be available to liquidate liabilities (full accrual) financial statements.

J. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

K. Interfund Transfers and Operating Subsidy

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and fiduciary funds are reported in the statement of activities as "Transfers, net."

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

Operating Subsidy

The Town has voted to account for the operation of the water and sewer activities as enterprise funds. The direct expenses of each enterprise fund is budgeted and the total revenues rates are approved annually. At the current time revenues are not sufficient to cover the budgeted expenses and therefore the general fund provides an operating subsidy to balance the budget. The Town has elected to not budget the expense related to pension, health insurance and indirect charges for each enterprise fund. The Town has not estimated the cost of providing this non-cash subsidy and therefore has not been reported in the financial statements.

L. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not factored into the calculation of the net investment of capital assets.

Net position is reported as restricted when amounts are not otherwise available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Permanent funds – nonexpendable” represents the endowment portion of donor restricted trusts. Only investment earnings may be expended from this category.

“Permanent funds – expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings.

“Grants and gifts” – represents amounts held for school and other Town grants, and for gift funds.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. For the Town, Town Meeting is the highest level of decision making authority that can, by adoption of a Town Meeting warrant article, vote to commit fund balance. Once committed, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a Town Meeting vote is taken to remove or revise the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

M. Long-term Debt

Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

N. Pensions

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

O. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from proprietary fund operations is voluntarily assigned and transferred to the general fund.

P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Compensated absences are reported in the governmental funds only if they have matured, i.e. unused reimbursable leave still outstanding following a retirement or resignation. Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

Q. Individual Fund Deficits

Town Capital Projects Fund, Recreation Capital Projects Fund and the Highway Capital Projects Fund have fund deficits of \$1,100,483; \$12,193; and \$1,732,431, respectively, at June 30, 2017. These deficits will be funded through future bond proceeds and available funds.

R. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 year. Actual results could vary from estimates that were used.

S. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and cash equivalents". The deposits of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits, and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk- Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. At year-end, the carrying amount of deposits totaled \$126,847,168 and the bank balance totaled \$129,371,576. Of the bank balance, \$2,648,653 was covered by Federal Depository Insurance, \$90,074,321 was covered by the Depositors Insurance Fund insurance, \$1,249,922 was covered by the Share Insurance Fund insurance, \$33,067,656 was collateralized, and \$2,331,024 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Share Insurance Fund (SIF) is a private fund owned by the member co-operative banks, which insures all deposits at co-operative banks in Massachusetts above Federal Deposit Insurance Corporation (FDIC) limits.

The Town's investment policy addresses custodial credit risk of deposits by establishing the following policy: The Town will not have on deposit with a single financial institution more than 60% of the institutions total equity presented on the specific institution's annual audited financial statements. Additionally, no single bank or bank holding company shall hold in excess of 75% of the Treasurer's cash balance for greater than three consecutive days.

Investments

As of June 30, 2017, the Town had the following investments:

Investment Type	Fair Value	Maturity	
		Under 1 Year	1-5 Years
<u>Debt Securities</u>			
U.S. Government Agencies.....	\$ 2,657,967	\$ -	\$ 2,657,967
Corporate Bonds.....	11,176,739	1,292,328	9,884,411
Total Debt Securities.....	13,834,706	\$ 1,292,328	\$ 12,542,378
<u>Other Investments</u>			
Equity Securities.....	7,602,767		
Money Market Mutual Funds.....	7,452,834		
MMDT.....	55,753		
Total Investments.....	\$ 28,946,060		

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The investments of \$2,657,967 in United States Government Agencies, \$11,176,738 in Corporate Bonds, and \$7,602,767 in Equity Securities are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty. Excluding investments in United States Government Agency bonds, United States Treasury Notes, and MMDT, no more than 75% of the Town's total investment portfolio will be held by any single financial institution.

Interest Rate Risk

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 changing interest rates.

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

Credit Risk

The Town has not adopted a formal policy related to credit risk.

Concentration of Credit Risk

The Town will minimize the concentration of credit risk by diversifying the investment portfolio, so that the impact of potential losses from any one type of security or issuer will be minimized.

Fair Market Value of Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The following table presents financial assets at June 30, 2017, that the Town measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	June 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
<u>Debt Securities:</u>				
U.S Government Agencies.....	\$ 2,657,967	\$ 2,657,967	\$ -	\$ -
Corporate bonds.....	11,176,739	-	11,176,739	-
Total debt securities.....	13,834,706	2,657,967	11,176,739	-
<u>Other investments:</u>				
Equity securities.....	7,602,767	7,602,767	-	-
Money market mutual funds.....	7,452,834	7,452,834	-	-
Total other investments.....	15,055,601	15,055,601	-	-
Total investments by fair value.....	28,890,307	\$ 17,713,568	\$ 11,176,739	\$ -
Investments measured at amortized cost:				
<u>Other investments:</u>				
MMDT.....	55,753			
Total investments.....	\$ 28,946,060			

NOTE 3 – RECEIVABLES

At June 30, 2017, receivables for the individual major, the nonmajor governmental funds, and the proprietary internal service fund, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 2,194,836	\$ (794,103)	\$ 1,400,733
Tax liens.....	5,014,728	-	5,014,728
Motor vehicle and other excise taxes.....	1,536,948	(636,577)	900,371
Departmental and other.....	2,764,391	(2,210,000)	554,391
Intergovernmental.....	2,796,318	-	2,796,318
Total.....	<u>\$ 14,307,221</u>	<u>\$ (3,640,680)</u>	<u>\$ 10,666,541</u>

At June 30, 2017, receivables for the water and sewer enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water fees.....	\$ 403,789	\$ -	\$ 403,789
Sewer fees.....	447,560	-	447,560
Intergovernmental.....	410,357	-	410,357
Total.....	<u>\$ 1,261,706</u>	<u>\$ -</u>	<u>\$ 1,261,706</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues and advance collections that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivables and other asset types:</u>			
Real estate and personal property taxes.....	\$ 1,143,243	\$ -	\$ 1,143,243
Tax liens.....	5,014,728	-	5,014,728
Motor vehicle and other excise taxes.....	900,371	-	900,371
Departmental and other.....	554,391	-	554,391
Intergovernmental.....	-	1,985,963	1,985,963
Tax foreclosures.....	1,938,952	-	1,938,952
Total.....	<u>\$ 9,551,685</u>	<u>\$ 1,985,963</u>	<u>\$ 11,537,648</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 21,009,852	\$ -	\$ -	\$ 21,009,852
Construction in progress.....	2,360,754	19,493,344	-	21,854,098
Total capital assets not being depreciated.....	23,370,606	19,493,344	-	42,863,950
<u>Capital assets being depreciated:</u>				
Land improvements.....	5,660,744	1,393,619	-	7,054,363
Buildings.....	92,078,497	2,096,610	-	94,175,107
Vehicles.....	12,293,683	222,217	-	12,515,900
Machinery and equipment.....	8,900,080	99,073	-	8,999,153
Infrastructure.....	47,675,445	7,228,150	-	54,903,595
Total capital assets being depreciated.....	166,608,449	11,039,669	-	177,648,118
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(3,054,092)	(209,393)	-	(3,263,485)
Buildings.....	(41,133,034)	(1,968,973)	-	(43,102,007)
Vehicles.....	(9,611,857)	(657,585)	-	(10,269,442)
Machinery and equipment.....	(7,183,979)	(400,101)	-	(7,584,080)
Infrastructure.....	(28,305,535)	(714,196)	-	(29,019,731)
Total accumulated depreciation.....	(89,288,497)	(3,950,248)	-	(93,238,745)
Total capital assets being depreciated, net.....	77,319,952	7,089,421	-	84,409,373
Total governmental activities capital assets, net.....	\$ 100,690,558	\$ 26,582,765	\$ -	\$ 127,273,323

	Beginning Balance	Increases	Decreases	Ending Balance
Water Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 65,957	\$ -	\$ -	\$ 65,957
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	834,281	-	-	834,281
Vehicles.....	526,308	234,803	-	761,111
Infrastructure.....	61,906,596	848,871	-	62,755,467
Total capital assets being depreciated.....	63,267,185	1,083,674	-	64,350,859
<u>Less accumulated depreciation for:</u>				
Vehicles.....	(483,140)	(41,458)	-	(524,598)
Machinery and equipment.....	(321,473)	(71,345)	-	(392,818)
Infrastructure.....	(20,849,813)	(1,304,611)	-	(22,154,424)
Total accumulated depreciation.....	(21,654,426)	(1,417,414)	-	(23,071,840)
Total capital assets being depreciated, net.....	41,612,759	(333,740)	-	41,279,019
Total water capital assets, net.....	\$ 41,678,716	\$ (333,740)	\$ -	\$ 41,344,976
Sewer Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 650,064	\$ -	\$ -	\$ 650,064
<u>Capital assets being depreciated:</u>				
Buildings.....	2,924,117	-	-	2,924,117
Machinery and equipment.....	470,172	-	-	470,172
Vehicles.....	993,797	31,540	-	1,025,337
Infrastructure.....	137,082,388	5,914,743	-	142,997,131
Total capital assets being depreciated.....	141,470,474	5,946,283	-	147,416,757
<u>Less accumulated depreciation for:</u>				
Buildings.....	(1,937,228)	(73,103)	-	(2,010,331)
Machinery and equipment.....	(358,202)	(17,443)	-	(375,645)
Vehicles.....	(911,282)	(58,347)	-	(969,629)
Infrastructure.....	(41,106,073)	(3,158,577)	-	(44,264,650)
Total accumulated depreciation.....	(44,312,785)	(3,307,470)	-	(47,620,255)
Total capital assets being depreciated, net.....	97,157,689	2,638,813	-	99,796,502
Total sewer capital assets, net.....	\$ 97,807,753	\$ 2,638,813	\$ -	\$ 100,446,566

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	2017
General government.....	\$ 210,178
Public safety.....	703,569
Education.....	1,588,992
Public works.....	1,021,207
Human services.....	32,234
Culture and recreation.....	394,068
Total depreciation expense - governmental activities.....	\$ 3,950,248
Business-Type Activities:	
Water.....	\$ 1,417,414
Sewer.....	3,307,470
Total depreciation expense - business-type activities.....	\$ 4,724,884

NOTE 5 – INTERFUND TRANSFERS, RECEIVABLES, PAYABLES AND OPERATING SUBSIDY

Interfund transfers for the year ended June 30, 2017, are summarized as follows:

Transfers Out:	Transfers In:					Total
	General Fund	School Capital Projects	Nonmajor Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund	
General Fund.....	\$ -	\$ 500,000	\$ 3,275,000	\$ 1,758,656	\$ 4,016,146	\$ 9,549,802 (1)
Nonmajor Governmental Funds.....	81,125		3,745	-	-	84,870 (2)
Water Enterprise Fund.....	50,000	-	-	-	-	50,000 (3)
Total.....	\$ 131,125	\$ 500,000	\$ 3,278,745	\$ 1,758,656	\$ 4,016,146	\$ 9,684,672

(1) Budgeted transfers from the general fund to School and Town capital project funds, as well as transfers to subsidize the water and sewer enterprise fund operations.

(2) Budgeted transfer from the Rink Revolving Fund to the general fund, as well as to and from various nonmajor funds.

(3) Budgeted transfer from the water enterprise fund.

The Town currently budgets an annual general fund subsidy to both the water and sewer enterprise funds since the current rates are not sufficient to cover the expenses of those funds. In 2017, the water fund received an operating subsidy of \$1,758,656 and the sewer fund received \$3,921,146.

NOTE 6 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the General Fund.

Details related to the short-term debt activity for the year ended June 30, 2017, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2016	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2017
Governmental Funds							
BAN	Bond Anticipation Notes.....	0.74%	11/18/2016	\$ 3,000,000	\$ -	\$ 3,000,000	\$ -
BAN	Bond Anticipation Notes.....	1.18%	12/8/2017	-	3,500,000	-	3,500,000
BAN	Bond Anticipation Notes.....	1.10%	11/17/2017	-	1,333,000	-	1,333,000
BAN	Bond Anticipation Notes.....	0.95%	11/17/2017	-	1,000,000	-	1,000,000
BAN	Bond Anticipation Notes.....	1.18%	6/28/2018	-	1,180,000	-	1,180,000
	Total Governmental Funds.....			<u>3,000,000</u>	<u>7,013,000</u>	<u>3,000,000</u>	<u>7,013,000</u>
Enterprise Funds							
<i>Water Enterprise Fund</i>							
BAN	Bond Anticipation Notes.....	1.10%	11/17/2017	-	500,000	-	500,000
<i>Sewer Enterprise Fund</i>							
BAN	Bond Anticipation Notes.....	0.74%	11/18/2016	400,000	-	400,000	-
BAN	Bond Anticipation Notes.....	0.70%	11/18/2016	518,000	-	518,000	-
BAN	Bond Anticipation Notes.....	0.85%	12/23/2016	-	882,000	882,000	-
BAN	Bond Anticipation Notes.....	1.10%	11/17/2017	-	900,000	-	900,000
BAN*	MCWT Interim Financing.....	0.00%	6/30/2018	3,668,663	786,548	-	4,455,211
BAN*	MCWT Interim Financing.....	0.00%	6/30/2018	2,968,009	4,260,560	-	7,228,569
	Total Sewer Enterprise Fund.....			<u>7,554,672</u>	<u>6,829,108</u>	<u>1,800,000</u>	<u>12,583,780</u>
	Total.....			<u>\$ 10,554,672</u>	<u>\$ 14,342,108</u>	<u>\$ 4,800,000</u>	<u>\$ 20,096,780</u>

* The Massachusetts Clean Water Trust (MCWT) Temporary Financing relates to a program in which the Town is able to rehabilitate, expand, or upgrade the existing sewer infrastructure network. The Town has been approved for construction costs up to \$14.3 million at an interest rate of 0%. The Town entered into financing agreements in June 2015 and November of 2015 and at that time the Town was allowed 2 years to expend funds against the loan. After the two years, the Town will determine the final construction costs and a permanent debt schedule will be agreed upon and payable over 20 years.

NOTE 7 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

In order to take advantage of favorable interest rates, the Town issued \$2,740,000 of General Obligation Refunding Bonds on December 1, 2016. \$2,650,000 of general obligation bonds were advance refunded by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$234,329 and resulted in an economic gain of \$187,453. At June 30, 2017, \$2,650,000 of bonds outstanding from the advance refunding is considered defeased.

Details related to the outstanding indebtedness at June 30, 2017, and the debt service requirements are as follows:

Bond Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Reductions	Outstanding at June 30, 2017
Municipal Purpose Bonds of 1998 - Refunding.....	2028	\$ 3,500,000	2.38 - 4.50%	\$ 320,385	\$ -	\$ 161,539	\$ 158,846
Municipal Purpose Bonds of 2008.....	2028	5,036,000	2.38 - 4.00%	1,190,000	-	950,000	240,000
Municipal Purpose Bonds of 2010.....	2018	1,500,000	3.97%	250,000	-	125,000	125,000
Municipal Purpose Bonds of 2011.....	2031	2,932,000	2.00 - 4.75%	1,970,000	-	170,000	1,800,000
Municipal Purpose Bonds of 2013.....	2033	15,535,000	2.00 - 4.00%	10,615,000	-	1,560,000	9,055,000
Municipal Purpose Bonds of 2013 - Refunding.....	2025	2,524,000	1.00 - 4.00%	2,140,000	-	265,000	1,875,000
Municipal Purpose Bonds of 2017 - Refunding.....	2028	675,000	3.00 - 5.00%	-	675,000	-	675,000
Municipal Purpose Bonds of 2017.....	2047	85,310,000	3.00 - 5.00%	-	85,310,000	-	85,310,000
Total Governmental Bonds Payable.....				16,485,385	85,985,000	3,231,539	99,238,846
Unamortized Premiums on Bonds.....				742,956	4,690,000	125,166	5,307,790
Total Governmental.....				\$ 17,228,341	\$ 90,675,000	\$ 3,356,705	\$ 104,546,636

Debt service requirements for principal and interest for Governmental bonds payable in future years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018..... \$	4,738,846 \$	2,945,990 \$	7,684,836
2019.....	3,705,000	3,747,662	7,452,662
2020.....	2,975,000	3,583,562	6,558,562
2021.....	2,585,000	3,446,762	6,031,762
2022.....	2,605,000	3,324,156	5,929,156
2023.....	2,690,000	3,203,649	5,893,649
2024.....	2,715,000	3,076,593	5,791,593
2025.....	2,805,000	2,962,812	5,767,812
2026.....	2,690,000	2,845,151	5,535,151
2027.....	2,845,000	2,716,743	5,561,743
2028.....	2,950,000	2,585,893	5,535,893
2029.....	2,925,000	2,449,793	5,374,793
2030.....	3,000,000	2,360,805	5,360,805
2031.....	3,075,000	2,269,568	5,344,568
2032.....	3,090,000	2,123,819	5,213,819
2033.....	3,170,000	2,030,094	5,200,094
2034.....	2,845,000	1,933,969	4,778,969
2035.....	2,930,000	1,845,063	4,775,063
2036.....	3,030,000	1,749,838	4,779,838
2037.....	3,125,000	1,651,363	4,776,363
2038.....	3,230,000	1,549,800	4,779,800
2039.....	3,355,000	1,420,600	4,775,600
2040.....	3,490,000	1,286,400	4,776,400
2041.....	3,630,000	1,146,800	4,776,800
2042.....	3,775,000	1,001,600	4,776,600
2043.....	3,925,000	850,600	4,775,600
2044.....	4,085,000	693,600	4,778,600
2045.....	4,245,000	530,200	4,775,200
2046.....	4,415,000	360,400	4,775,400
2047.....	4,595,000	183,800	4,778,800
Total..... \$	<u>99,238,846</u> \$	<u>61,877,083</u> \$	<u>161,115,929</u>

Bond Payable Schedule – Water Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Reductions	Outstanding at June 30, 2017
Water Treatment Facility.....	2033	\$ 4,832,000	2.00 - 5.00%	\$ 1,255,000	\$ -	\$ 1,115,000	\$ 140,000
MCWT.....	2025	33,452,851	3.00 - 5.35%	14,226,363	-	1,532,532	12,693,831
Water Mains.....	2030	2,740,000	2.38 - 4.75%	1,550,000	-	1,125,000	425,000
Water Departmental Equipment.....	2020	1,742,000	2.38 - 4.75%	430,000	-	190,000	240,000
Water Treatment Facility Refunding.....	2025	873,000	1.00 - 4.00%	625,000	-	95,000	530,000
Water Mains Refunding.....	2022	105,000	1.00 - 4.00%	60,000	-	10,000	50,000
Surface Drain Refunding.....	2022	128,000	1.00 - 4.00%	85,000	-	15,000	70,000
Water 2017 Refunding.....	2028	2,065,000	3.00 - 5.00%	-	2,065,000	-	2,065,000
Total Water Bonds Payable.....				18,231,363	2,065,000	4,082,532	16,213,831
Unamortized Premiums on Bonds.....				56,052	-	15,133	40,919
Total Water.....				\$ 18,287,415	\$ 2,065,000	\$ 4,097,665	\$ 16,254,750

Debt service requirements for principal and interest for the Water Enterprise Fund bonds payable in future years are as follows:

Year	Principal	Interest	Total
2018..... \$	2,061,731	\$ 733,045	\$ 2,794,776
2019.....	2,090,931	632,325	2,723,256
2020.....	2,140,130	531,027	2,671,157
2021.....	2,124,729	428,465	2,553,194
2022.....	2,188,928	324,415	2,513,343
2023.....	2,153,128	218,990	2,372,118
2024.....	2,197,327	114,800	2,312,127
2025.....	541,927	50,472	592,399
2026.....	225,000	32,832	257,832
2027.....	225,000	22,582	247,582
2028.....	215,000	12,082	227,082
2029.....	25,000	1,566	26,566
2030.....	25,000	525	25,525
Total..... \$	<u>16,213,831</u>	<u>\$ 3,103,127</u>	<u>\$ 19,316,958</u>

Bond Payable Schedule – Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Reductions	Outstanding at June 30, 2017
Sewer.....	2033	\$ 15,897,510	3.00 - 5.37%	\$ 5,320,000	\$ -	\$ 710,000	\$ 4,610,000
Sewer Refunding.....	2018	5,513,077	2.00 - 4.01%	454,615	-	318,461	136,154
MCWT.....	2031	31,404,007	2.00%	28,086,940	-	1,515,699	26,571,241
Sewer Treatment Facility.....	2030	6,530,000	2.50 - 4.20%	4,490,000	-	335,000	4,155,000
Sewer 2013 Refunding.....	2025	13,000,000	3.00 - 5.00%	4,855,000	-	650,000	4,205,000
Sewer 2017 Refunding.....	2027	882,000	2.75 - 3.00%	882,000	-	-	882,000
Total Sewer Bonds Payable.....				44,088,555	-	3,529,160	40,559,395
Unamortized Premiums on Bonds.....				337,219	-	79,545	257,674
Total Sewer.....				\$ 44,425,774	\$ -	\$ 3,608,705	\$ 40,817,069

Debt service requirements for principal and interest for the Sewer Enterprise Fund bonds payable in future years are as follows:

Year	Principal	Interest	Total
2018.....	\$ 3,427,360	\$ 867,840	\$ 4,295,200
2019.....	3,272,883	785,172	4,058,055
2020.....	3,266,736	701,495	3,968,231
2021.....	2,805,768	624,083	3,429,851
2022.....	2,809,981	554,255	3,364,236
2023.....	2,804,381	485,155	3,289,536
2024.....	2,468,969	423,188	2,892,157
2025.....	2,463,751	370,898	2,834,649
2026.....	2,223,730	320,810	2,544,540
2027.....	2,233,910	271,850	2,505,760
2028.....	2,159,295	224,237	2,383,532
2029.....	2,169,900	177,484	2,347,384
2030.....	2,080,699	132,106	2,212,805
2031.....	1,866,724	93,209	1,959,933
2032.....	1,158,827	64,159	1,222,986
2033.....	1,158,827	47,063	1,205,890
2034.....	1,093,827	29,968	1,123,795
2035.....	1,093,827	14,984	1,108,811
Total.....	\$ 40,559,395	\$ 6,187,949	\$ 46,747,344

The Town receives subsidy assistance from the Massachusetts Clean Water Trust (MCWT). Future subsidies of capital expenses are structured as principal subsidies of principal payments. Interest on the outstanding bonds for MCWT is subsidized over the life of the bonds to assist the Town in repayment of this future debt. Future principal subsidies of \$3,547,367 have been recorded as an intergovernmental receivable in the water enterprise fund. Future interest subsidies total \$1,758,984 and will be recognized as revenue when incurred. During 2017, the Town's principal and interest subsidy amounted to approximately \$864,000.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2017, the Town had authorized and unissued debt as follows:

Purpose	Date Authorized	Amount
Water treatment plant.....	06/06/02	\$ 426,999
Planning and land acquisition.....	05/25/06	1,000,000
Sewer.....	05/25/06	500,000
Crosby Hill watertank.....	10/21/08	85,300
School construction.....	10/06/09	3,611,844
Wastewater treatment.....	10/14/08	402,784
Pump station upgrade.....	10/05/10	1,829,814
Sewer.....	10/04/11	248,850
Wastewater pump station upgrade.....	05/10/12	958,604
Wastewater treatment facility.....	10/10/13	398,500
Wastewater.....	05/06/14	4,275,038
Sewer, water, traffic signals.....	10/13/15	1,500,000
School construction.....	02/23/16	87,187,289
Sewer.....	05/10/16	400,000
Water meters.....	05/04/17	4,000,000
Sewer planning.....	05/04/17	2,100,000
Water mains.....	05/04/17	750,000
Total.....		\$ 109,675,022

Changes in Long-term Liabilities

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

Governmental Activities	Balance June 30, 2016	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increase	Other Decrease	Balance June 30, 2017	Current Portion
Long-Term Bonds.....	\$ 16,485,385	\$ 85,985,000	\$ (3,231,539)	\$ -	\$ -	\$ 99,238,846	\$ 4,738,846
Unamortized Premium on Bonds.....	742,956	-	-	4,690,000	(125,166)	5,307,790	299,820
Other Postemployment Benefits.....	105,531,000	-	-	38,217,642	(23,185,731)	120,562,911	-
Net Pension Liability.....	115,165,918	-	-	23,452,895	(8,376,144)	130,242,669	-
Compensated Absences.....	3,316,000	-	-	1,468,000	(1,415,000)	3,369,000	1,431,000
Total.....	\$ 241,241,259	\$ 85,985,000	\$ (3,231,539)	\$ 67,828,537	\$ (33,102,041)	\$ 358,721,216	\$ 6,469,666

Business-Type Activities	Balance June 30, 2016	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increase	Other Decrease	Balance June 30, 2017	Current Portion
Long-Term Bonds.....	\$ 62,319,918	\$ 2,065,000	\$ (7,611,692)	\$ -	\$ -	\$ 56,773,226	\$ 5,489,091
Unamortized Premium on Bonds.....	393,271	-	-	-	(94,678)	298,593	83,224
Other Postemployment Benefits.....	6,520,000	-	-	816,465	(170,617)	7,165,848	-
Net Pension Liability.....	11,910,698	-	-	2,387,678	(828,410)	13,469,966	-
Compensated Absences.....	550,000	-	-	197,000	(239,000)	508,000	231,000
Total.....	\$ 81,693,887	\$ 2,065,000	\$ (7,611,692)	\$ 3,401,143	\$ (1,332,705)	\$ 78,215,633	\$ 5,803,315

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints. These categories of fund balance are further discussed in Note 1.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The Town's highest level of decision making authority is the Town Meeting.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

In accordance with Statement No. 54, the stabilization funds have been reported in the general fund. At year end the balance of the general Town stabilization fund is \$4,605,787, the balance of the land stabilization fund is \$530,137, the School stabilization fund is \$714,757, the governmental debt stabilization fund is \$14,471,756, and the sewer debt stabilization is \$1,068,144. The stabilization funds are reported as unassigned fund balance within the general fund, with the exception of the sewer debt stabilization fund which is reported in the sewer enterprise fund.

At June 30, 2017, the governmental fund balances consisted of the following:

	<u>General</u>	<u>School Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 1,976,169	\$ 1,976,169
Restricted for:				
School capital projects.....	-	83,691,855	-	83,691,855
Town revolving funds.....	-	-	570,592	570,592
Town state and federal grant funds.....	-	-	736,702	736,702
Town receipts reserved.....	-	-	603,563	603,563
School lunch.....	-	-	28,384	28,384
School revolving funds.....	-	-	3,220,616	3,220,616
School grant funds.....	-	-	1,105,101	1,105,101
Recreation revolving.....	-	-	10,573	10,573
Other special revenue.....	-	-	2,365,146	2,365,146
Public safety capital projects.....	-	-	538,399	538,399
Stormwater drainage capital projects.....	-	-	540,958	540,958
Cemetery capital projects.....	-	-	185,541	185,541
Cemetery perpetual care.....	-	-	55,831	55,831
Assigned to:				
General government.....	110,633	-	-	110,633
Public safety.....	54,847	-	-	54,847
Education.....	1,615,585	-	-	1,615,585
Public works.....	4,870	-	-	4,870
Human services.....	3,719	-	-	3,719
Culture and recreation.....	1,140	-	-	1,140
Capital outlay.....	536,970	-	-	536,970
Unassigned.....	<u>34,075,795</u>	<u>-</u>	<u>(2,845,107)</u>	<u>31,230,688</u>
TOTAL FUND BALANCES (DEFICIT).....	\$ <u>36,403,559</u>	\$ <u>83,691,855</u>	\$ <u>9,092,468</u>	\$ <u>129,187,882</u>

NOTE 9 – RISK FINANCING

The Town is self-insured for portions of its workers' compensation and its health insurance activities. The health insurance activities are accounted for in the internal service fund. The workers' compensation activities are accounted for in the general fund.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends, and other economic and social factors.

Insurance

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in a premium-based health care plan for its active and eligible retired employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town estimates its' Incurred But Not Reported (IBNR) health claims based on historical and current claim payment analysis. The Town purchases individual stop loss insurance for claims in excess of the \$125,000 coverage provided by the Town. At June 30, 2017, the amount of the liability for health insurance claims totaled \$1,042,000.

Changes in the reported liability since July 1, 2015, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2016.....	\$ 1,083,000	\$ (17,551,612)	\$ 17,483,612	\$ 1,015,000
2017.....	1,015,000	(18,218,545)	18,245,545	1,042,000

Workers' Compensation

The Town participates in a premium-based workers' compensation insurance plan for its employees, except for police officers and firefighters for which the Town is self-insured. The Town's liability related to incurred but not reported claims for police officers and/or firefighter's worker's compensation is not material at June 30, 2017, and is therefore not reported.

NOTE 10 – PENSION PLAN*Plan Descriptions*

The Town is a member of the Middlesex County Retirement System (MCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 71 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The audited financial report may be obtained by visiting www.middlesexretirement.org.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the 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 the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2016. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$13,239,067 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$129,786,436 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the MCRS a legislatively mandated actuarial determined contribution that is apportioned amongst the employers based on the actuarial data. The Town's proportionate share of the actuarial required contribution was \$9.8 million. This amount when combined with plan member contributions is expected to finance the cost of benefits earned by plan members during the year, with an additional amount to finance any unfunded liability. The total member contribution is equal to 29.42% of covered payroll. The Town's proportionate share of the actuarial required contribution equaled its actual contribution.

Pension Liabilities

At June 30, 2017, the Town reported a liability of \$143.7 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2016, the Town's proportion was 10.14%; as compared to its proportion measured at December 31, 2015 of 9.85%.

Pension Expense

For the year ended June 30, 2017, the Town recognized pension expense of \$16 million. At June 30, 2017, the Town reported deferred outflows of resources related to pensions of \$17.3 million, from the net difference between projected and actual investment earnings on pension plan investments. The Town also reported deferred inflows of resources related to pensions of \$2.1 million from changes in proportion.

The balances of deferred outflows and inflows at June 30, 2017 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Net differences between projected and actual earnings..... \$	17,305,688 \$	- \$	17,305,688
Changes in proportion.....	-	(2,084,460)	(2,084,460)
Total deferred outflows/(inflows) of resources..... \$	17,305,688 \$	(2,084,460) \$	15,221,228

The Town's net deferred outflows/ (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows/(Inflows)
2018..... \$	4,147,390
2019.....	4,147,390
2020.....	4,044,517
2021.....	2,881,931
Total..... \$	15,221,228

Actuarial Assumptions

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2016:

Valuation date.....	January 1, 2016
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Prior year's total contribution increased by 6.5% for fiscal 2018 through fiscal 2024, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments.
Remaining amortization period.....	As of July 1, 2016, 3 years remaining for 2002 ERI liability, 4 years remaining for 2003 ERI liability, 6 years remaining for 2010 ERI liability, and 19 years for remaining unfunded liability.
Asset valuation method.....	The difference between the expected return and the actual investment return on a market value basis is recognized over a five year period. Asset value is adjusted as necessary to be within 20% of the market value.
Inflation rate.....	3.50%
Projected salary increases.....	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2 and 4.75% for Group 4.
Cost of living adjustments.....	3.0% of the first \$14,000 of retirement income.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Mortality Rates:	
Pre-Retirement.....	The RP-2000 Employee Mortality Table projected generationally from 2009 with Scale BB2D.
Healthy Retiree.....	The RP-2000 Employee Mortality Table projected generationally from 2009 with Scale BB2D.
Disabled Retiree.....	The RP-2000 Health Annuitant Mortality Table projected generationally from 2015 with Scale BB2D.
Investment rate of return/Discount rate...	7.75%, net of pension plan investment expense, including inflation previously 7.875%.

Investment policy

The pension plan's policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

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 real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2016 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	19.50%	7.50%
International equity.....	16.80%	7.83%
Emerging markets equity.....	6.90%	9.61%
Core fixed income.....	12.30%	3.75%
Value-added fixed income.....	8.30%	7.26%
Private Equity.....	11.10%	9.50%
Real Estate.....	10.00%	6.50%
Timber/natural resources.....	3.60%	6.00%
Hedge funds.....	9.00%	6.48%
Liquidating portfolios.....	0.40%	6.48%
Portfolio completion strategies.....	1.10%	6.48%
Overlay.....	1.00%	6.48%
Total Asset Allocation.....	100.00%	

Rate of return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.54%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

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

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
The Town's proportionate share of the net pension liability..... \$	173,546,042	\$ 143,712,635	\$ 118,499,309

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Billerica administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides health, dental and life insurance for eligible retirees and their spouses through a single-employer defined Other Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy – The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining percentage of their premium costs. For 2017, the Town’s age-adjusted contribution to the plan totaled \$8.7 million. The Town’s average contribution rate was 32.29% of covered-employee payroll.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. The Town has pre-funded future OPEB liabilities by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2017, the balance of this fund totaled \$1.7 million.

The annual money-weighted rate of return on OPEB plan investments was 6.15%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

Plan Membership – The following table represents the Plan’s membership at June 30, 2017:

Active members.....	1,399
Retirees, Disabled, Survivors and beneficiaries.....	<u>1,131</u>
Total.....	<u><u>2,530</u></u>

Components of OPEB Liability – The following table represents the components of the Plan’s OPEB liability as of June 30, 2017:

Total OPEB liability.....	\$ 217,201,000
Less: OPEB plan's fiduciary net position.....	<u>(1,719,677)</u>
Net OPEB liability.....	<u><u>\$ 215,481,323</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	0.79%

Significant Actuarial Methods and Assumptions – The total OPEB liability in the January 1, 2016 actuarial valuation was determined by using the following actuarial assumptions actuarial, applied to all periods including the measurement date that was updated to June 30, 2017 to be in accordance with GASB #74:

Valuation date.....	Actuarially determined contribution was calculated as of June 30, 2017
Actuarial cost method.....	Individual Entry Age Normal
Asset valuation method.....	Market value of assets as of the reporting date, June 30, 2017
Investment rate of return.....	7.50% per year, net of investment expenses.
Discount rate.....	7.50%
Inflation.....	3.00% as of June 30, 2017 and for future periods
Salary increases.....	4.50% annually as of June 30, 2017 and for future periods
Healthcare cost trend rate.....	7.50% decreasing by 0.50% per year until an ultimate rate of 5.00%
Pre-Retirement mortality.....	RP-2014 projected from 2006 using MP-2016 generational.
Post-Retirement mortality.....	RP-2014 projected from 2006 using MP-2016 generational.
Disabled mortality.....	RP-2014 projected from 2006 using MP-2016 generational, set forward two years.

Investment Policy

The Town’s policy in regard to the allocation of invested assets is established and may be amended by the Board of Selectmen by a majority vote of its members. The OPEB plan’s assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town’s investment policy.

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 of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The System’s expected future real rate of return is added to the expected inflation to produce the long-term expected nominal rate of return of 7.50%. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2017 are summarized in the following table.

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities.....	60.00%	5.33%
Fixed Income.....	40.00%	1.46%
Total Asset Allocation.....	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made in accordance with the Plan’s funding policy of contributing \$1 million to the Trust beginning in the subsequent period, with contributions increasing 15% per year thereafter. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net position liability to changes in the discount rate – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 7.50%, as well as what the net other postemployment benefit 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.

	<u>1% Decrease</u> <u>(6.50%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.50%)</u>	<u>1% Increase</u> <u>(8.50%)</u>
Net OPEB liability.....	\$ 242,191,000	\$ 215,481,323	\$ 193,366,000

Sensitivity of the net position liability to changes in the healthcare trend – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of 7.50% in year 1 decreasing by 0.5% per year until reaching 5.0%, as well as what the net other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Net OPEB liability.....	\$ 188,164,000	\$ 215,481,323	\$ 249,107,000

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

Annual required contribution.....	\$ 24,936,706
Interest on net OPEB obligation.....	5,322,383
Adjustments to annual required contribution.....	<u>(6,044,193)</u>
Annual OPEB cost (expense).....	24,214,896
Contributions made.....	<u>(8,536,293)</u>
Increase/(Decrease) in net OPEB obligation.....	15,678,603
Net OPEB obligation - beginning of year.....	<u>112,050,156</u>
Net OPEB obligation - end of year.....	<u>\$ 127,728,759</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two most recent preceding years are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 24,214,896	35%	\$ 127,728,759
6/30/2016	23,111,000	42%	112,051,000
6/30/2015	21,878,000	43%	98,697,000

Funded Status and Funding Progress – As of July 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$273.2 million. The actuarial value of assets for the plan was \$1.5 million. The remaining \$271.7 million was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$77.5 million, and the ratio of the UAAL to the covered payroll was 350.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the January 1, 2016, actuarial valuation, actuarial liabilities were determined using the entry age normal method. The actuarial assumptions included a 4.75% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend of 7.50% initially, graded to 5.00% over five years and included a 3.00% inflation assumption. The UAAL is being amortized over a 22 year period, with amortization payments increasing at 3.00% per year, closed. The remaining amortization period at July 1, 2016, is 22 years.

NOTE 12 – COMMITMENTS

The Town is currently authorized to commit and expend \$7.7 million relative to wastewater treatment and other sewer capital activities, \$2.8 million in pumping station improvements, and \$1.5 million to complete various other Town projects. Additionally, the Town has authorized \$90.8 million for the construction of a new high school/middle school facility.

NOTE 13 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards through June 30, 2017, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 28, 2018, which is the date the financial statements were available to be issued.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2017, the following GASB pronouncements were implemented:

- GASB Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #77, *Tax Abatement Disclosures*. This pronouncement did not impact the basic financial statements.
- GASB Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This pronouncement did not impact the basic financial statements.
- GASB Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*. This pronouncement did not impact the basic financial statements.
- GASB Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.

- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in 2018.
- The GASB issued Statement #86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

This page intentionally left blank.

Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 111,582,831	\$ 111,582,831	\$ 111,990,418	\$ -	\$ 407,587
Tax liens.....	-	-	2,801,910	-	2,801,910
Motor vehicle excise tax.....	5,800,000	5,800,000	6,952,412	-	1,152,412
Hotel/motel tax.....	925,000	925,000	1,391,673	-	466,673
Penalties and interest on taxes.....	350,000	350,000	614,336	-	264,336
Fees.....	2,000,000	2,000,000	2,687,740	-	687,740
Licenses and permits.....	660,000	660,000	1,308,399	-	648,399
Intergovernmental.....	25,590,414	25,590,414	25,413,035	-	(177,379)
Departmental and other.....	547,000	547,000	624,601	-	77,601
Investment income.....	200,000	200,000	249,054	-	49,054
TOTAL REVENUES.....	147,655,245	147,655,245	154,033,578	-	6,378,333
EXPENDITURES:					
Current:					
General government.....	5,046,021	5,221,021	4,896,487	110,633	213,901
Public safety.....	18,058,947	18,058,947	17,843,485	54,847	160,615
Education.....	71,402,569	71,402,569	69,786,984	1,615,585	-
Public works.....	7,579,626	7,579,626	8,004,620	4,870	(429,864)
Human services.....	1,375,165	1,375,165	1,209,067	3,719	162,379
Culture and recreation.....	1,928,564	1,928,564	1,924,851	1,140	2,573
Pension benefits.....	9,826,635	9,826,635	9,826,635	-	-
Employee benefits.....	16,519,618	16,519,618	16,519,618	-	-
Building insurance.....	987,402	987,402	987,402	-	-
State and county charges.....	5,591,126	5,591,126	5,141,664	-	449,462
Capital outlay.....	1,403,118	1,403,118	866,148	536,970	-
Debt service:					
Principal.....	2,581,539	2,581,539	2,581,539	-	-
Interest.....	1,016,870	841,870	778,633	-	63,237
TOTAL EXPENDITURES.....	143,317,200	143,317,200	140,367,133	2,327,764	622,303
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	4,338,045	4,338,045	13,666,445	(2,327,764)	7,000,636
OTHER FINANCING SOURCES (USES):					
Prior year deficits raised on recap.....	(376,878)	(376,878)	-	-	376,878
Use of fund balance to fund prior year carryovers.....	2,322,510	2,322,510	-	-	(2,322,510)
Use of free cash to fund appropriations.....	3,930,856	5,635,479	-	-	(5,635,479)
Operating subsidy to enterprise funds.....	(5,679,802)	(5,679,802)	(5,679,802)	-	-
Transfers in.....	131,125	131,125	131,125	-	-
Transfers out.....	(4,665,856)	(6,370,479)	(6,370,479)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	(4,338,045)	(4,338,045)	(11,919,156)	-	(7,581,111)
NET CHANGE IN FUND BALANCE.....	-	-	1,747,289	(2,327,764)	(580,475)
BUDGETARY FUND BALANCE, Beginning of year.....	15,204,833	15,204,833	15,204,833	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 15,204,833	\$ 15,204,833	\$ 16,952,122	\$ (2,327,764)	\$ (580,475)

See notes to required supplementary information.

Pension Plan Schedules

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of Town's Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MIDDLESEX COUNTY CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016
Town's proportion of the net pension liability (asset).....	9.98%	9.85%	10.14%
Town's proportionate share of the net pension liability (asset)..... \$	119,887,544	\$ 127,076,615	\$ 143,712,635
Town's covered employee payroll..... \$	30,175,213	\$ 31,382,222	\$ 33,403,976
Net pension liability as a percentage of covered-employee payroll.....	397.30%	404.93%	430.23%
Plan fiduciary net position as a percentage of the total pension liability.....	46.13%	46.13%	45.49%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS
MIDDLESEX COUNTY CONTRIBUTORY RETIREMENT SYSTEM**

	June 30, 2015	June 30, 2016	June 30, 2017
Actuarially determined contribution..... \$	8,541,268	9,204,554	9,826,635
Contributions in relation to the actuarially determined contribution.....	<u>8,541,268</u>	<u>9,204,554</u>	<u>9,826,635</u>
Contribution deficiency (excess)..... \$	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Covered-employee payroll..... \$	30,175,213	31,382,222	33,403,976
Contributions as a percentage of covered- employee payroll.....	28.31%	29.33%	29.42%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

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

Fiscal Year	Commonwealth's 100% Share of the Net Pension Liability Associated with the Town	Town's Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2017.....	\$ 129,786,436	\$ 13,239,067	52.73%
2016.....	117,828,979	9,556,979	55.38%
2015.....	90,660,017	6,298,586	61.64%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

GASB 74 Schedules

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

The Schedule of the Town's Contributions presents multi-year trend information on the Town's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on other postemployment assets, net of investment expense.

GASB 45 Schedules

The Schedule of Funding Progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions compares, over time, the annual required contributions to the actual contribution made.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

**SCHEDULE OF CHANGES IN THE
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017
Total OPEB Liability	
Service Cost.....	\$ 4,467,000
Interest.....	15,464,000
Changes of benefit terms.....	-
Differences between expected and actual experience.....	-
Changes of assumptions.....	-
Benefit payments.....	(8,729,000)
Net change in total OPEB liability.....	11,202,000
Total OPEB liability- beginning.....	205,999,000
Total OPEB liability- ending (a).....	217,201,000
Plan fiduciary net position	
Employer contributions to the trust.....	\$ -
Employer contributions to pay benefit payments.....	8,729,000
Net investment income.....	93,675
Benefit payments.....	(8,729,000)
Net change in plan fiduciary net position.....	93,675
Plan fiduciary net position- beginning.....	1,626,002
Plan fiduciary net position- ending (b).....	\$ 1,719,677
Town's net OPEB liability- ending (a)-(b).....	\$ 215,481,323
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.79%
Covered-employee payroll.....	77,488,000
Town's net OPEB liability as a percentage of covered-employee payroll.....	278.08%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years
for which information is available.

See notes to required supplementary information.

**SCHEDULE OF TOWN CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017
Actuarially determined contribution.....	\$ 25,023,000
Contributions in relation to the actuarially determined contribution.....	(8,729,000)
Contribution deficiency (excess).....	\$ 16,294,000
Covered-employee payroll.....	\$ 77,488,000
Contributions as a percentage of covered- employee payroll.....	32.29%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

June 30, 2017

Annual money-weighted rate of return, net of investment expense.....	6.15%
---	-------

The annual money-weighted rate of return has been calculated by the Pension Reserves Investment Management Board (PRIM).

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2017

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2016	\$ 1,534,000	\$ 273,191,000	\$ 271,657,000	0.56%	\$ 77,488,000	350.6%
1/1/2014	596,755	276,273,605	275,676,850	0.22%	70,631,965	390.3%
1/1/2012	-	279,117,655	279,117,655	0%	67,242,000	415.1%
1/1/2009	-	233,836,000	233,836,000	0%	65,751,000	355.6%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2017	\$ 23,703,000	\$ 9,757,000	41%
6/30/2016	22,240,000	9,417,000	42%
6/30/2014	28,036,000	8,843,000	32%
6/30/2013	26,290,000	9,239,000	35%
6/30/2012	24,679,928	8,648,055	35%
6/30/2011	21,058,524	8,738,829	41%
6/30/2010	19,487,734	8,068,853	41%
6/30/2009	18,058,534	7,590,797	42%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

YEAR ENDED JUNE 30, 2017

Actuarial Methods:

Valuation date.....	January 1, 2016
Actuarial cost method.....	Projected unit credit cost method
Amortization method.....	January 1, 2016, 22 years, closed

Actuarial Assumptions:

Discount rate of return.....	4.75%
Investment rate of return.....	7.50%
Medical/drug cost trend rate.....	7.50% initially, graded to 5% over 5 years

Plan Membership:

Current retirees, beneficiaries, and dependents....	1,037
Current active members.....	<u>1,048</u>
Total.....	<u><u>2,085</u></u>

See notes to required supplementary information.

NOTE A – BUDGETARY BASIS OF ACCOUNTING**A. Budgetary Information**

Municipal Law requires the Town to adoption of a balanced budget that is approved by Town Meeting. The Finance Committee presents an annual budget to the Town Meeting Representatives (the Representatives), which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Representatives, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Representative approval via a special article.

The majority of the Town's appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote of the Representatives.

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original 2017 approved budget authorized \$151.3 million in appropriations and other amounts to be raised, as well as \$2.3 million in encumbrances and capital articles carried forward from the prior year. During 2017 the Town authorized \$1.7 million of supplemental appropriations for transfers to the capital project funds and stabilization funds.

The Town Accountant has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the Town's accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth of Massachusetts) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2017, is presented below:

Net change in fund balance - budgetary basis.....	\$ 1,747,289
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	3,187,655
<u>Basis of accounting differences:</u>	
Increase in revenues due to on-behalf payments.....	13,239,067
Increase in expenditures due to on-behalf payments.....	(13,239,067)
Net change in revenues in recording 60 day receipts.....	(143,000)
Net change in recording tax refunds payable.....	<u>(100,000)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 4,691,944</u>

NOTE B – PENSION PLAN

Pension Plan Schedules

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

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

B. Schedule of Town’s Contributions

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

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

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

D. Changes in Assumptions:

None.

E. Changes in Plan Provisions:

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

The Other Postemployment Benefit PlanThe Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios

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

Schedule of the Town's Contributions

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

Schedule of Investment Return

The Schedule of Investment Return includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

The Town

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis plus an additional contribution to the Trust. As a result, the funded ratio (actual value of assets expressed as a percentage of the actuarial accrued liability) is low. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

Schedule of Funding Progress and Employer Contributions

The Schedule of Funding Progress and Employer Contributions presents multiyear trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets. The Schedule of Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

Schedule of Actuarial Methods and Assumptions

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

Changes in Assumptions

The discount rate increased to 4.75% from the 4.20% rate utilized in the prior valuation. Mortality tables were also updated.

Changes in Plan Provisions

None.