

TOWN OF TEWKSBURY, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2017

TOWN OF TEWKSBURY, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

TABLE OF CONTENTS

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis..... 3

Basic Financial Statements..... 12

Statement of net position..... 13

Statement of activities 14

Governmental funds – balance sheet..... 16

Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position..... 17

Governmental funds – statement of revenues, expenditures and changes in fund balances 18

Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities..... 19

Proprietary funds – statement of net position..... 20

Proprietary funds – statement of revenues, expenses and changes in net position..... 21

Proprietary funds – statement of cash flows 22

Fiduciary funds – statement of fiduciary net position 23

Fiduciary funds – statement of changes in fiduciary net position..... 24

Notes to basic financial statements..... 25

Required Supplementary Information 60

General Fund Budgetary Schedule 61

 Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual..... 62

 Pension Plan Schedules..... 64

 Schedule of the Town’s proportionate share of the net pension liability 65

 Schedule of the Town’s contributions..... 66

 Schedule of special funding amounts..... 67

 Other Postemployment Benefits Plan Schedules 68

 Schedule of changes in the Town’s net other postemployment benefit liability 69

 Schedule of the Town’s contributions..... 70

 Schedule of investment returns..... 71

 Other postemployment benefit plan schedule of funding progress and employer contributions 72

 Other postemployment benefit plan actuarial methods and assumptions 73

Notes to Required Supplementary Information 74



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 Tewksbury, 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 Tewksbury, 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 Tewksbury, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Tewksbury, 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 budgetary comparison information on pages, 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 September 20, 2017, on our consideration of the Town of Tewksbury, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Tewksbury, Massachusetts' internal control over financial reporting and compliance.



September 20, 2017

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Tewksbury (Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2017. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$67.2 million (net position).
- As required by GASB Statement #68, the Town recognized their total net pension liability of \$93.5 million along with a deferred outflow related to pension of \$9.4 million and deferred inflow related to pension of \$1.1 million on the statement of net position.
- The government's total net position increased by \$5.9 million.
- As of the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$27.9 million, an increase of \$4.3 million in comparison with the prior year.
- The Town contributed an additional \$350,000 to its other postemployment benefits (OPEB) trust fund, which had a balance of \$1.6 million at the end of the current year.
- At the end of the current year, unassigned fund balance for the general fund was \$11.9 million, or 10.7% percent of total government expenditures.
- The Town established a cable enterprise fund during the year. It had a \$767,000 balance at year end.
- The Town refunded \$719,000 of governmental bonds and \$55.4 million of water and sewer enterprise fund bonds. The transaction resulted in a reduction of \$10.1 million in future debt service payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Tewksbury'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.

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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them 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 the 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 (i.e. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are primarily 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, health and sanitation, culture and recreation, claims and judgments, 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 of Tewksbury 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.

Proprietary funds. The Town of Tewksbury 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 sewer, water and cable operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses internal service funds to account for health insurance activities and workers compensation benefits. Because these services primarily benefit governmental rather than business-type activities, they have been included within *governmental activities* in the government-wide financial statements.

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.

The other postemployment benefits fund is used to account for assets accumulated to provide funding for future other postemployment benefits (OPEB) liabilities. Private-purpose trust funds and agency funds are reported and combined in a single, aggregate presentation in the fiduciary funds financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

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.

Government-wide Financial Analysis

As noted earlier net position may serve, over time, as a useful indicator of a government's financial position. The assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$67.2 million at the close of 2017.

Governmental Activities - The key elements of the governmental-type activities are as follows:

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets.....	\$ 51,822,922	\$ 46,642,324
Capital assets.....	125,832,604	127,948,661
Total assets.....	<u>177,655,526</u>	<u>174,590,985</u>
Deferred outflows of resources.....	<u>8,571,442</u>	<u>3,975,544</u>
Liabilities:		
Current liabilities (excluding debt).....	9,304,602	9,350,776
Noncurrent liabilities (excluding debt).....	144,181,145	137,639,283
Current debt.....	3,063,022	3,166,371
Noncurrent debt.....	34,380,738	33,293,538
Total liabilities.....	<u>190,929,507</u>	<u>183,449,968</u>
Deferred inflows of resources.....	<u>1,048,346</u>	<u>1,185,383</u>
Net Position:		
Net investment in capital assets.....	91,836,813	94,888,774
Restricted.....	4,013,854	2,352,226
Unrestricted.....	(101,601,552)	(103,309,822)
Total net position.....	<u>\$ (5,750,885)</u>	<u>\$ (6,068,822)</u>
	<u>2017</u>	<u>2016</u>
Program revenues:		
Charges for services.....	\$ 8,437,336	\$ 8,770,255
Operating grants and contributions.....	27,741,565	23,556,214
Capital grants and contributions.....	864,666	1,056,974
General revenues:		
Real estate and personal property taxes.....	77,649,432	74,274,209
Motor vehicle and other excise taxes.....	4,948,396	4,683,874
Nonrestricted grants.....	2,971,877	2,858,854
Unrestricted investment income.....	162,183	409,540
Other revenues.....	2,306,030	2,546,224
Gain/(loss) on sale of capital assets.....	(897,875)	-
Total revenues.....	<u>\$ 124,183,610</u>	<u>\$ 118,156,144</u>
Expenses:		
General government.....	5,500,919	4,885,074
Public safety.....	20,549,793	19,815,794
Education.....	82,169,380	76,449,490
Public works.....	4,794,987	3,313,598
Human services.....	1,093,169	1,004,622
Health and sanitation.....	1,367,512	2,514,061
Culture and recreation.....	2,310,743	2,200,668
Claims and judgments.....	43,947	-
Interest.....	1,623,606	1,255,482
Total expenses.....	<u>119,454,056</u>	<u>111,438,789</u>
Excess before transfers.....	<u>4,729,554</u>	<u>6,717,355</u>
Transfers.....	<u>(4,411,617)</u>	<u>(4,437,916)</u>
Change in net position.....	<u>317,937</u>	<u>2,279,439</u>
Net position beginning of the year.....	<u>(6,068,822)</u>	<u>(8,348,261)</u>
Net position end of the year.....	<u>\$ (5,750,885)</u>	<u>\$ (6,068,822)</u>

For the Town's governmental activities, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5.8 million at the close of 2017.

A significant portion of the Town's net position, \$91.8 million, reflects its net investment in capital assets (i.e. land, buildings, infrastructure, 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 Town's investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$4 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position resulted in a \$101.6 million deficit, due mainly to the cumulative effect of recording \$54.4 million of other postemployment benefit liabilities along with \$85.2 million of net pension liability through June 30, 2017.

Revenues and Expenses

The governmental activities net position increased by \$318,000 during the current year. This was due to a decrease in the landfill of \$5.1 million and better than expected budgetary results; offset by the recognition of an additional \$3.8 million for the other postemployment benefits and, \$7.4 million for the net pension liability.

Governmental expenses totaled \$119.5 million of which \$37 million (31%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$87.1 million, primarily from property taxes, motor vehicle and other excise, and hotel/motel tax.

Charges for services represent about 7% of governmental activities resources. The Town can exercise more control over this category of revenue than any other. Fees charged for services rendered that are set by Town Meeting, the Board of Selectmen, Town boards and commissions, and the Town Manager are included in this category.

Operating grants and contributions account for 22% of the governmental activities resources. Most of these resources apply to education operations. These resources offset costs within the school department in addition to their general fund operating budget.

Capital grants and contributions account for 1% of the governmental activities resources. The Town receives state reimbursement for highway projects.

Property taxes are the most significant revenue source for the Town's governmental activities. They comprise 63% of all resources.

Motor vehicle and other taxes comprise 4% of the governmental activity's resources.

Education is by far the largest governmental activity of the Town. A total of \$82.2 million was expended for education, of which \$27.9 million was funded by program revenues. The remaining \$54.3 million was funded by taxes and other revenue.

Public safety is the second largest activity of the Town. \$17.3 million of general revenues were needed to cover 2017 operating expenses.

Business-type activities - The key elements of the business-type activities are as follows:

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets.....	\$ 27,207,772	\$ 32,424,786
Capital assets.....	149,126,262	145,577,991
Total assets.....	<u>176,334,034</u>	<u>178,002,777</u>
Deferred outflows of resources.....	<u>3,723,519</u>	<u>379,298</u>
Liabilities:		
Current liabilities (excluding debt).....	1,555,631	1,924,704
Noncurrent liabilities (excluding debt).....	9,508,629	8,647,666
Current debt.....	8,438,291	6,961,961
Noncurrent debt.....	87,520,084	93,393,361
Total liabilities.....	<u>107,022,635</u>	<u>110,927,692</u>
Deferred inflows of resources.....	<u>101,405</u>	<u>113,095</u>
Net Position:		
Net investment in capital assets.....	53,456,070	45,810,873
Unrestricted.....	19,477,443	21,530,415
Total net position.....	<u>\$ 72,933,513</u>	<u>\$ 67,341,288</u>
	<u>2017</u>	<u>2016</u>
Program revenues:		
Charges for services.....	\$ 15,714,493	\$ 16,306,178
Nonoperating grants and contributions.....	94,481	106,623
General revenues:		
Unrestricted investment income (loss).....	(10,658)	353
Total revenues.....	<u>15,798,316</u>	<u>16,413,154</u>
Expenses.....	<u>14,617,708</u>	<u>15,903,496</u>
Excess before transfers.....	<u>1,180,608</u>	<u>509,658</u>
Transfers.....	<u>4,411,617</u>	<u>4,437,916</u>
Change in net position.....	<u>5,592,225</u>	<u>4,947,574</u>
Net position beginning of the year, as restated.....	<u>67,341,288</u>	<u>62,393,714</u>
Net position end of the year.....	<u>\$ 72,933,513</u>	<u>\$ 67,341,288</u>

For the Town's business type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$69.5 million at the close of 2017.

The understatement of capital assets of \$3,412,576, in the Water Enterprise Fund, was discovered by management during the current year. Accordingly, an adjustment has been made in this report to restate the net position of the business type activities as of June 30, 2016 from \$63,928,712 to \$67,341,288.

Business type net position of \$53.5 million (73%) represents investments in capital assets, net of any related debt. The remaining \$19.5 million (27%) is available to be used for the ongoing operation of the Town's sewer, water and cable enterprises.

Business-type activities net position increased by \$5.6 million during the current year. The primary reason for the increase was an increase in water and sewer usage and the fact that the rates are designed to support principal payments on long-term debt along with a subsidy by the tax rate. This is consistent with the prior year.

Financial Analysis of the Governmental Funds

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

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

At the end of the current year, the Town's governmental funds reported combined ending fund balances totaling \$27.9 million. Of this amount \$16 million is for the general fund and \$11.9 million is comprised of nonmajor funds. Cumulatively there was an increase of \$4.3 million in fund balances from the prior year.

The general fund is the chief operating fund of the Town. At the end of the current year, unassigned fund balance of the general fund was \$11.9 million while total fund balance was \$16 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 10.7% of the total general fund budgetary expenditures, while total fund balance represents 14.4% of that same amount.

Financial Summary

- Tax revenue continues to be the most significant revenue source for the Town, representing 67.8% of total general fund revenue. Tax revenue increased in accordance with the provisions of the Massachusetts law, which limits such increase to 2½% over the preceding year plus an allowance for new growth and excluded debt.
- Intergovernmental revenue represents 22.1% of total general fund revenues. This includes state aid as well as \$8.3 million in payments made by the State to the Massachusetts Teachers' Retirement Association for teachers' pension benefits.
- Motor vehicle revenue represents 4.4% of the total general fund revenues, an increase of 8.4% from the prior year.
- Charges for services revenue totaled approximately \$2.2 million, a 12.2% increase from the prior year.
- Fees revenue in the general fund decreased approximately \$632,000 due to the cable franchise fees now being accounted for in the cable enterprise fund.
- Expenditures in education, public works, and health and sanitation increased approximately \$10.5 million in FY2017. The Town made a \$3.9 million payment towards their landfill liability.
- Education continues to be the largest category of general fund expenditures, representing 59.8% in 2017. The Town is committed to providing a high-quality education through its public schools.

- Public safety and public works represent a combined 14.8% of general fund expenditures. This reflects the Town's commitment to providing a safe, secure environment and essential public services.
- Debt service costs in 2017 equaled 4% of total general fund expenditures, reflecting the Town's ongoing commitment to its school building program, public safety facilities and recreation and cultural facilities.
- Employee benefits decreased 9% from the prior year.

General Fund Budgetary Highlights

There was a \$3.8 million increase from the original budget to the final amended budget. During the fall and spring Special Town Meetings, appropriation increases for stabilization, OPEB, and various School and Town functions were approved.

General Fund revenues came in approximately \$3.7 million more than budgeted. There were several factors that contributed to this increase. Real estate and personal property was \$361,000 better than expected; motor vehicle and other excise receipts were higher by \$1.1 million due to an improving economy and an increase in new car sales; licenses and permits were higher by \$432,000 due to more building permits being issued; and hotel/motel tax exceeded expectations by \$251,000.

General fund expenditures, including encumbrances, came in \$1.8 million less than budgeted.

Capital Asset and Debt Administration

In conjunction with the annual operating budget the Town of Tewksbury annually prepares a capital budget for the upcoming year and a five year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

Capital assets. The Town of Tewksbury's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$275 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer system improvements, machinery and equipment, library and school books, computer equipment, park facilities, roads, highways, and bridges. The Town's investment in capital assets increased \$1.4 million in 2017. Shown below is the breakdown of the Town's capital assets.

Capital Asset	Governmental Activities	Business Type Activities	Total
Land.....\$	1,845,881	\$ 204,000	\$ 2,049,881
Construction in progress.....	1,083,144	12,627,732	13,710,876
Artwork.....	903,300	-	903,300
Land improvements.....	1,539,633	-	1,539,633
Buildings.....	91,385,818	7,806,689	99,192,507
Buildings improvements.....	9,296,339	1,474,125	10,770,464
Machinery and equipment.....	4,853,638	1,326,181	6,179,819
Library and school books.....	32,785	-	32,785
Computer Software.....	95,350	-	95,350
Infrastructure.....	14,796,716	125,687,535	140,484,251
Total.....\$	125,832,604	\$ 149,126,262	\$ 274,958,866

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

- The Town capitalized \$9 million in construction in progress, of which, \$633,000 related to the governmental activities, \$153,000 related to the sewer enterprise fund and \$8.2 million related to the water enterprise fund.
- The Town capitalized a \$1.4 million in machinery and equipment, of which, \$540,000 related to public safety, \$167,000 related to education and \$531,000 related to the sewer enterprise fund.
- The Town had a loss on sale of capital assets for building demolition that had a net book value of approximately \$898,000.

Debt Administration

The Town maintains an “AA+” bond rating from Standard & Poor’s. The Town continues to maintain strong market access for both note and bond sales. At the end of the year the Town had total bonded debt outstanding of \$124.2 million of which \$36.4 million is related to governmental activities, \$67 million is for sewer projects, and \$20.8 million is related to water projects. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the Town.

The Town’s long-term debt decreased by \$10.2 million in the current year. During 2017, the Town issued \$4.1 million in long-term debt and \$56.1 million in refunding bonds. The refunding lowered future debt service payments of the Sewer fund by \$10.1 million over the next 10 years.

Please refer to notes 4, 6 and 7 for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Tewksbury’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 Finance Director, Town Hall Annex, 11 Town Hall Avenue, Tewksbury, MA 01876.

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.....	\$ 24,150,866	\$ 17,517,420	\$ 41,668,286
Investments.....	18,351,403	4,774,847	23,126,250
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	719,018	-	719,018
Tax liens.....	2,492,615	-	2,492,615
Motor vehicle and other excise taxes.....	322,942	-	322,942
Water fees.....	-	2,824,248	2,824,248
Sewer fees.....	-	2,091,257	2,091,257
Departmental and other.....	593,469	-	593,469
Intergovernmental.....	2,944,509	-	2,944,509
Working capital deposit.....	2,248,100	-	2,248,100
Total current assets.....	<u>51,822,922</u>	<u>27,207,772</u>	<u>79,030,694</u>
NONCURRENT:			
Capital assets, nondepreciable.....	3,832,325	12,831,732	16,664,057
Capital assets, net of accumulated depreciation.....	<u>122,000,279</u>	<u>136,294,530</u>	<u>258,294,809</u>
Total noncurrent assets.....	<u>125,832,604</u>	<u>149,126,262</u>	<u>274,958,866</u>
TOTAL ASSETS.....	<u>177,655,526</u>	<u>176,334,034</u>	<u>353,989,560</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding.....	-	2,894,420	2,894,420
Deferred outflows of resources related to pensions.....	<u>8,571,442</u>	<u>829,099</u>	<u>9,400,541</u>
DEFERRED OUTFLOWS OF RESOURCES.....	<u>8,571,442</u>	<u>3,723,519</u>	<u>12,294,961</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	2,288,155	86,826	2,374,981
Accrued payroll.....	3,383,174	34,602	3,417,776
Health claims payable.....	867,642	-	867,642
Tax refunds payable.....	636,232	-	636,232
Accrued interest.....	363,537	1,361,303	1,724,840
Other liabilities.....	651,118	20,000	671,118
Landfill closure.....	241,544	-	241,544
Compensated absences.....	873,200	52,900	926,100
Bonds payable.....	<u>3,063,022</u>	<u>8,438,291</u>	<u>11,501,313</u>
Total current liabilities.....	<u>12,367,624</u>	<u>9,993,922</u>	<u>22,361,546</u>
NONCURRENT:			
Landfill closure.....	2,974,474	-	2,974,474
Compensated absences.....	1,574,200	128,300	1,702,500
Other postemployment benefits obligation.....	54,386,256	1,134,621	55,520,877
Net pension liability.....	85,246,215	8,245,708	93,491,923
Bonds payable.....	<u>34,380,738</u>	<u>87,520,084</u>	<u>121,900,822</u>
Total noncurrent liabilities.....	<u>178,561,883</u>	<u>97,028,713</u>	<u>275,590,596</u>
TOTAL LIABILITIES.....	<u>190,929,507</u>	<u>107,022,635</u>	<u>297,952,142</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions.....	<u>1,048,346</u>	<u>101,405</u>	<u>1,149,751</u>
NET POSITION			
Net investment in capital assets.....	91,836,813	53,456,070	145,292,883
Restricted for:			
Community Preservation.....	1,862,639	-	1,862,639
Permanent funds:			
Expendable.....	51,769	-	51,769
Gifts and grants.....	2,099,446	-	2,099,446
Unrestricted.....	<u>(101,601,552)</u>	<u>19,477,443</u>	<u>(82,124,109)</u>
TOTAL NET POSITION.....	<u>\$ (5,750,885)</u>	<u>\$ 72,933,513</u>	<u>\$ 67,182,628</u>

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.....	\$ 5,500,919	\$ 2,645,355	\$ 1,523,059	\$ -	\$ (1,332,505)
Public safety.....	20,549,793	2,594,906	684,891	-	(17,269,996)
Education.....	82,169,380	2,907,938	24,981,016	-	(54,280,426)
Public works.....	4,794,987	50,854	141,281	864,666	(3,738,186)
Human services.....	1,093,169	178,661	379,737	-	(534,771)
Health and sanitation.....	1,367,512	-	-	-	(1,367,512)
Culture and recreation.....	2,310,743	59,622	31,581	-	(2,219,540)
Claims and judgments.....	43,947	-	-	-	(43,947)
Interest.....	1,623,606	-	-	-	(1,623,606)
Total Governmental Activities.....	119,454,056	8,437,336	27,741,565	864,666	(82,410,489)
<i>Business-Type Activities:</i>					
Sewer.....	7,892,714	6,738,663	94,481	-	(1,059,570)
Water.....	6,724,994	8,209,274	-	-	1,484,280
Cable.....	-	766,556	-	-	766,556
Total Business-Type Activities.....	14,617,708	15,714,493	94,481	-	1,191,266
Total Primary Government.....	\$ 134,071,764	\$ 24,151,829	\$ 27,836,046	\$ 864,666	\$ (81,219,223)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (82,410,489)	\$ 1,191,266	\$ (81,219,223)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	77,649,432	-	77,649,432
Tax liens.....	123,073	-	123,073
Motor vehicle and other excise taxes.....	4,948,396	-	4,948,396
Hotel/motel tax.....	1,072,823	-	1,072,823
Meals tax.....	633,000	-	633,000
Penalties and interest on taxes.....	446,955	-	446,955
Payments in lieu of taxes.....	30,179	-	30,179
Grants and contributions not restricted to specific programs.....	2,971,877	-	2,971,877
Unrestricted investment income (loss).....	162,183	(10,658)	151,525
Gain/(loss) on sale of capital assets.....	(897,875)	-	(897,875)
<i>Transfers, net</i>	<u>(4,411,617)</u>	<u>4,411,617</u>	<u>-</u>
Total general revenues and transfers.....	<u>82,728,426</u>	<u>4,400,959</u>	<u>87,129,385</u>
Change in net position.....	317,937	5,592,225	5,910,162
<i>Net Position:</i>			
Beginning of year, as restated.....	<u>(6,068,822)</u>	<u>67,341,288</u>	<u>61,272,466</u>
End of year.....	\$ <u><u>(5,750,885)</u></u>	\$ <u><u>72,933,513</u></u>	\$ <u><u>67,182,628</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2017

ASSETS	General	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 13,390,326	\$ 7,251,624	\$ 20,641,950
Investments.....	8,543,439	4,900,664	13,444,103
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	719,018	-	719,018
Tax liens.....	2,486,896	5,719	2,492,615
Motor vehicle and other excise taxes.....	322,942	-	322,942
Departmental and other.....	569,921	-	569,921
Intergovernmental.....	-	2,944,509	2,944,509
TOTAL ASSETS.....	\$ 26,032,542	\$ 15,102,516	\$ 41,135,058
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 1,575,440	\$ 704,569	\$ 2,280,009
Accrued payroll.....	3,231,123	152,051	3,383,174
Tax refunds payable.....	636,232	-	636,232
Other liabilities.....	651,118	-	651,118
TOTAL LIABILITIES.....	6,093,913	856,620	6,950,533
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue.....	3,946,932	2,380,673	6,327,605
FUND BALANCES:			
Restricted.....	-	11,961,146	11,961,146
Committed.....	2,454,643	-	2,454,643
Assigned.....	1,654,431	-	1,654,431
Unassigned.....	11,882,623	(95,923)	11,786,700
TOTAL FUND BALANCES.....	15,991,697	11,865,223	27,856,920
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 26,032,542	\$ 15,102,516	\$ 41,135,058

See notes to basic financial statements.

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

JUNE 30, 2017

Total governmental fund balances.....	\$	27,856,920
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		125,832,604
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds.....		6,327,605
Certain 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.....		7,523,096
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities:		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		9,812,076
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(363,537)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(36,363,745)	
Unamortized premium on bonds payable.....	(1,080,015)	
Landfill liability.....	(3,216,018)	
Compensated absences.....	(2,447,400)	
Net pension liability.....	(85,246,215)	
Other postemployment benefits obligation.....	(54,386,256)	
Net effect of reporting long-term liabilities.....		<u>(182,739,649)</u>
Net position of governmental activities.....	\$	<u><u>(5,750,885)</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ 77,661,364	\$ -	\$ 77,661,364
Tax liens.....	345,309	-	345,309
Motor vehicle and other excise taxes.....	5,027,531	-	5,027,531
Hotel/motel tax.....	1,072,823	-	1,072,823
Meals tax.....	633,000	-	633,000
Charges for services.....	1,349,306	874,421	2,223,727
Penalties and interest on taxes.....	446,955	-	446,955
Fees.....	258,651	1,739,685	1,998,336
Rentals.....	534,812	177,608	712,420
Payments in lieu of taxes.....	30,179	-	30,179
Licenses and permits.....	1,289,387	-	1,289,387
Fines and forfeitures.....	102,776	-	102,776
Intergovernmental.....	25,262,782	6,504,709	31,767,491
Departmental and other.....	416,650	2,085,441	2,502,091
Contributions.....	-	91,050	91,050
Investment income.....	133,284	22,105	155,389
TOTAL REVENUES.....	114,564,809	11,495,019	126,059,828
EXPENDITURES:			
Current:			
General government.....	2,979,689	1,266,938	4,246,627
Public safety.....	13,076,153	771,648	13,847,801
Education.....	66,423,838	6,261,175	72,685,013
Public works.....	3,380,532	1,457,156	4,837,688
Human services.....	755,698	171,498	927,196
Health and sanitation.....	6,271,270	-	6,271,270
Culture and recreation.....	1,499,940	288,150	1,788,090
Pension benefits.....	5,436,134	-	5,436,134
Employee benefits.....	5,084,830	-	5,084,830
Claims and judgments.....	43,947	-	43,947
State and county charges.....	1,657,840	-	1,657,840
Debt service:			
Principal.....	2,812,820	230,000	3,042,820
Interest.....	1,633,080	165,600	1,798,680
TOTAL EXPENDITURES.....	111,055,771	10,612,165	121,667,936
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	3,509,038	882,854	4,391,892
OTHER FINANCING SOURCES (USES):			
Issuance of bonds and notes.....	4,100,000	-	4,100,000
Proceeds from refunding bonds.....	718,500	-	718,500
Premium from issuance of bonds.....	354,005	-	354,005
Premium from issuance of refunding bonds.....	103,775	-	103,775
Payments to refunded bond escrow agent.....	(822,275)	-	(822,275)
Transfers in.....	455,686	-	455,686
Transfers out.....	(4,540,488)	(455,686)	(4,996,174)
TOTAL OTHER FINANCING SOURCES (USES).....	369,203	(455,686)	(86,483)
NET CHANGE IN FUND BALANCES.....	3,878,241	427,168	4,305,409
FUND BALANCES AT BEGINNING OF YEAR.....	12,113,456	11,438,055	23,551,511
FUND BALANCES AT END OF YEAR.....	\$ 15,991,697	\$ 11,865,223	\$ 27,856,920

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.....	\$	4,305,409
<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.....	3,175,933	
Depreciation expense.....	(4,394,115)	
Gain/(loss) on sale of capital assets.....	<u>(897,875)</u>	
Net effect of reporting capital assets.....		(2,116,057)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(992,098)
<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 unavailable and amortized in the Statement of Activities.</p>		
Issuance of bonds and notes.....	(4,100,000)	
Premium from issuance of bonds, net of issue costs.....	(354,005)	
Premium from issuance of refunding bonds, net of issue costs.....	(103,775)	
Issuance of refunding bonds and notes.....	(718,500)	
Payments to refunded bond escrow agent.....	822,275	
Debt service principal payments.....	<u>3,042,820</u>	
Net effect of reporting long-term debt.....		(1,411,185)
<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 compensated absences accrual.....	(294,400)	
Net change in landfill liability.....	5,120,262	
Net change in accrued interest on long-term debt.....	(23,280)	
Amortization of deferred charge on refunding.....	198,354	
Net change in other postemployment benefits obligation.....	(3,844,400)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	4,732,935	
Net change in net pension liability.....	<u>(7,374,523)</u>	
Net effect of reporting long-term liabilities.....		(1,485,052)
<p>Internal service funds are used by management to account for health insurance.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>2,016,920</u>
Change in net position of governmental activities.....	\$	<u><u>317,937</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2017

	Sewer Enterprise	Water Enterprise	Cable Enterprise	Total	Governmental Activities - Internal Service Funds
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 7,202,822	\$ 9,548,042	\$ 766,556	\$ 17,517,420	\$ 3,508,916
Investments.....	2,979,981	1,794,866	-	4,774,847	4,907,300
Receivables, net of allowance for uncollectibles:					
Sewer fees.....	2,091,257	-	-	2,091,257	-
Water fees.....	-	2,824,248	-	2,824,248	-
Departmental and other.....	-	-	-	-	23,548
Working capital deposit.....	-	-	-	-	2,248,100
Total current assets.....	<u>12,274,060</u>	<u>14,167,156</u>	<u>766,556</u>	<u>27,207,772</u>	<u>10,687,864</u>
NONCURRENT:					
Capital assets, nondepreciable.....	152,537	12,679,195	-	12,831,732	-
Capital assets, depreciable.....	102,811,107	33,483,423	-	136,294,530	-
Total noncurrent assets.....	<u>102,963,644</u>	<u>46,162,618</u>	<u>-</u>	<u>149,126,262</u>	<u>-</u>
TOTAL ASSETS.....	<u>115,237,704</u>	<u>60,329,774</u>	<u>766,556</u>	<u>176,334,034</u>	<u>10,687,864</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding.....	2,894,420	-	-	2,894,420	-
Deferred outflows of resources related to pensions.....	213,692	615,407	-	829,099	-
DEFERRED OUTFLOWS OF RESOURCES.....	<u>3,108,112</u>	<u>615,407</u>	<u>-</u>	<u>3,723,519</u>	<u>-</u>
LIABILITIES					
CURRENT:					
Warrants payable.....	24,994	61,832	-	86,826	8,146
Accrued payroll.....	7,703	26,899	-	34,602	-
Health claims payable.....	-	-	-	-	867,642
Accrued interest.....	1,089,954	271,349	-	1,361,303	-
Other liabilities.....	20,000	-	-	20,000	-
Compensated absences.....	6,800	46,100	-	52,900	-
Bonds payable.....	5,671,519	2,766,772	-	8,438,291	-
Total current liabilities.....	<u>6,820,970</u>	<u>3,172,952</u>	<u>-</u>	<u>9,993,922</u>	<u>875,788</u>
NONCURRENT:					
Compensated absences.....	26,000	102,300	-	128,300	-
Other postemployment benefits obligation.....	124,410	1,010,211	-	1,134,621	-
Net pension liability.....	2,125,252	6,120,456	-	8,245,708	-
Bonds and notes payable.....	68,839,444	18,680,640	-	87,520,084	-
Total noncurrent liabilities.....	<u>71,115,106</u>	<u>25,913,607</u>	<u>-</u>	<u>97,028,713</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>77,936,076</u>	<u>29,086,559</u>	<u>-</u>	<u>107,022,635</u>	<u>875,788</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources related to pensions.....	26,136	75,269	-	101,405	-
NET POSITION					
Net investment in capital assets.....	30,704,601	28,657,034	-	59,361,635	-
Unrestricted.....	9,679,003	3,126,319	766,556	13,571,878	9,812,076
TOTAL NET POSITION.....	<u>\$ 40,383,604</u>	<u>\$ 31,783,353</u>	<u>\$ 766,556</u>	<u>\$ 72,933,513</u>	<u>\$ 9,812,076</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2017

	Sewer Enterprise	Water Enterprise	Cable Enterprise	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES:					
Employee contributions	\$ -	\$ -	\$ -	\$ -	\$ 7,204,037
Employer contributions	-	-	-	-	8,291,374
Charges for services	6,738,663	8,207,705	766,556	15,712,924	-
Other	-	1,569	-	1,569	320,410
TOTAL OPERATING REVENUES	6,738,663	8,209,274	766,556	15,714,493	15,815,821
OPERATING EXPENSES:					
Cost of services and administration	2,738,731	3,888,945	-	6,627,676	-
Depreciation	3,010,710	2,447,400	-	5,458,110	-
Employee benefits	-	-	-	-	13,941,527
TOTAL OPERATING EXPENSES	5,749,441	6,336,345	-	12,085,786	13,941,527
OPERATING INCOME (LOSS)	989,222	1,872,929	766,556	3,628,707	1,874,294
NONOPERATING REVENUES (EXPENSES):					
Investment income (loss)	(8,877)	(1,781)	-	(10,658)	13,755
Interest expense	(2,143,273)	(388,649)	-	(2,531,922)	-
Intergovernmental	94,481	-	-	94,481	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(2,057,669)	(390,430)	-	(2,448,099)	13,755
INCOME (LOSS) BEFORE TRANSFERS	(1,068,447)	1,482,499	766,556	1,180,608	1,888,049
TRANSFERS:					
Transfers in	4,411,617	-	-	4,411,617	128,871
CHANGE IN NET POSITION	3,343,170	1,482,499	766,556	5,592,225	2,016,920
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	37,040,434	30,300,854	-	67,341,288	7,795,156
NET POSITION AT END OF YEAR	\$ 40,383,604	\$ 31,783,353	\$ 766,556	\$ 72,933,513	\$ 9,812,076

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

	Sewer Enterprise	Water Enterprise	Cable Enterprise	Total	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 7,369,127	\$ 8,455,263	\$ 766,556	\$ 16,590,946	\$ 7,204,037
Receipts from interfund services provided.....	-	-	-	-	8,617,169
Payments to vendors.....	(1,798,667)	(1,905,278)	-	(3,703,945)	(14,247,745)
Payments to employees.....	(759,988)	(1,813,419)	-	(2,573,407)	-
NET CASH FROM OPERATING ACTIVITIES.....	4,810,472	4,736,566	766,556	10,313,594	1,573,461
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in.....	4,411,617	-	-	4,411,617	128,871
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets.....	(683,068)	(8,323,313)	-	(9,006,381)	-
Principal payments on bonds and notes.....	(4,358,854)	(2,338,955)	-	(6,697,809)	-
Interest paid on capital debt.....	(2,843,139)	(507,785)	-	(3,350,924)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES...	(7,885,061)	(11,170,053)	-	(19,055,114)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments.....	1,814,321	(1,352,456)	-	461,865	(1,580,601)
Investment income.....	(8,877)	(1,781)	-	(10,658)	13,755
NET CASH FROM INVESTING ACTIVITIES.....	1,805,444	(1,354,237)	-	451,207	(1,566,846)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	3,142,472	(7,787,724)	766,556	(3,878,696)	135,486
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	4,060,350	17,335,766	-	21,396,116	3,373,430
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 7,202,822	\$ 9,548,042	\$ 766,556	\$ 17,517,420	\$ 3,508,916
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ 989,222	\$ 1,872,929	\$ 766,556	\$ 3,628,707	\$ 1,874,294
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	3,010,710	2,447,400	-	5,458,110	-
Deferred (outflows)/inflows of resources related to pensions.....	(122,574)	(338,917)	-	(461,491)	-
Changes in assets and liabilities:					
Water fees.....	-	245,989	-	245,989	-
Sewer fees.....	630,464	-	-	630,464	-
Departmental and other.....	-	-	-	-	5,385
Working capital deposit.....	-	-	-	-	325,000
Warrants payable.....	(28,580)	(25,931)	-	(54,511)	490
Accrued payroll.....	4,939	10,524	-	15,463	-
Health claims payable.....	-	-	-	-	(631,708)
Accrued compensated absences.....	(2,500)	(52,300)	-	(54,800)	-
Other postemployment benefits obligation.....	17,136	72,375	-	89,511	-
Net pension liability.....	311,655	504,497	-	816,152	-
Total adjustments.....	3,821,250	2,863,637	-	6,684,887	(300,833)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 4,810,472	\$ 4,736,566	\$ 766,556	\$ 10,313,594	\$ 1,573,461
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Issuance of refunding bonds.....	\$ 54,977,000	\$ 399,500	-	\$ 55,376,500	-
Long-term bonds refunded.....	(59,320,000)	(425,000)	-	(59,745,000)	-
Refunding premium.....	7,455,198	-	-	7,455,198	-
Change in the deferred loss on refunding.....	(3,112,198)	-	-	(3,112,198)	-
Intergovernmental subsidy of principal and interest payments.....	94,481	-	-	94,481	-

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Other Postemployment Benefit Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ -	\$ 3,410	\$ 952,878
Investments.....	1,619,143	-	36,538
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	-	-	135,700
TOTAL ASSETS	1,619,143	3,410	1,125,116
LIABILITIES			
Warrants payable.....	-	-	3,171
Accrued payroll.....	-	-	30,691
Liabilities due depositors.....	-	-	1,091,254
TOTAL LIABILITIES	-	-	1,125,116
NET POSITION			
Held in trust for OPEB benefits and other purposes.....	\$ <u>1,619,143</u>	\$ <u>3,410</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 Benefit Fund	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 4,787,801	\$ -
Net investment income (loss):		
Net change in fair value of investments.....	124,206	-
Interest.....	45,080	6
Total investment income (loss).....	169,286	6
Less: investment expense.....	(6,373)	-
Net investment income (loss).....	162,913	6
TOTAL ADDITIONS.....	4,950,714	6
DEDUCTIONS:		
Benefit payments.....	4,437,801	-
CHANGE IN NET POSITION.....	512,913	6
NET POSITION AT BEGINNING OF YEAR.....	1,106,230	\$ 3,404
NET POSITION AT END OF YEAR.....	\$ 1,619,143	\$ 3,410

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Tewksbury, Massachusetts (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 is a Massachusetts municipal corporation that is governed by an elected Board of Selectmen and an appointed Town Manager.

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. It has been determined that there are no component units that meet the requirements for inclusion in the Town's basic financial statements.

Joint Venture – The Town has entered into a joint venture for the Shawsheen Valley Technical High School along with other municipalities to pool resources and share the costs, risk and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specified recipients. The Town has no equity interest in this joint venture. The Town's assessment for 2017 was \$5,646,988. Complete financial statements for the Shawsheen Valley Technical High School can be obtained by contacting their administrative offices at 100 Cook Street, Billerica, Massachusetts 01821.

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. *Governmental activities* are primarily supported by taxes and intergovernmental revenues.

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 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, liabilities, 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, liabilities, 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 funds 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 unmatured 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 only major governmental funds reported is the *general fund* which 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 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 proprietary fund types are reported:

The *sewer enterprise fund* accounts for the Town's sewer activities.

The *water enterprise fund* accounts for the Town's water activities.

The *cable enterprise fund* accounts for the Town's cable activities.

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 Town's health insurance and workers' compensation.

Fiduciary funds are used to account for financial resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The following fiduciary fund types are reported:

The *other postemployment benefit trust fund* is used to account for other postemployment benefit (OPEB), which accumulate resources to provide funding for future OPEB 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 used to account for assets held in a purely custodial capacity, such as collection and payment of charges for special details, escrow accounts, deposits and deputy collector accounts.

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.

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 January 1st of every year. Assessed values are established by the Board of Assessors 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. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed during the second and fourth quarter of every year on delinquent properties and are recorded as receivables in the year they are processed.

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

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

Sewer

Sewer user fees are levied tri-annually for individual and commercial meter readings. These fees are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed in December of 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 uncollectibles.

Water

Water user fees are levied tri-annually for individual and commercial meter readings. These fees are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed in December of 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 uncollectibles.

Departmental and Other

Departmental and other receivables consist primarily of ambulance and Veteran's receivables which are recorded as receivables in the year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

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 uncollectibles.

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 and Proprietary Fund Financial Statements***

Capital assets, which include land, land improvements, buildings, building improvements, machinery and equipment, library and school books, computer software, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the governmental 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 \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Life (in years)</u>
Land improvements.....	5-50
Buildings.....	5-50
Building improvements.....	5-50
Machinery and equipment.....	3-20
Library and school books.....	3-10
Computer software.....	5-10
Infrastructure.....	10-50

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 reports deferred loss on refunding and deferred outflows of resources related to pensions in this category.

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 reports 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.

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 funds and internal service funds are eliminated from the governmental activities in the statement of net position.

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

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 and internal service funds are eliminated from the governmental activities in the statement of net position.

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.

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 considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building program and the Massachusetts Clean Water Trust's loan subsidy program is not considered to be capital related debt.

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

Net position has been "restricted for" the following:

"Community preservation" represents amounts held for uses restricted by law for community preservation purposes.

"Permanent funds – expendable" represents the endowment and the amount of realized and unrealized investment earnings of donor restricted trusts that support governmental programs.

"Gifts and grants" represents restrictions placed on assets from outside parties and consists primarily of gifts and federal and state grants.

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 equity is classified as fund balance. Fund balance is further classified 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. Town Meeting is the highest level of decision making authority that can, by Town Meeting vote, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind 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. The Town’s by-laws authorize the Town Auditor to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

“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.

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

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 the Middlesex County Retirement System and the Massachusetts Teachers Retirement System. 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).

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 and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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. 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.

R. 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 and investments 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 (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. The Town does not have a formal deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$42,539,770 and the bank balance totaled \$44,457,868. Of the bank balance, \$9,642,713 was covered by Federal Depository Insurance, \$2,929,438 was covered by Depositor's Insurance Fund, \$777,465 was covered by Share Insurance Fund and \$31,108,252 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

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

	<u>Fair Value</u>	<u>Maturity</u>	
		<u>Under 1 Year</u>	<u>1-5 Years</u>
Investment Type			
<u>Debt Securities:</u>			
Government Sponsored Enterprises.....	\$ 11,987,370	\$ 7,240,486	\$ 4,746,884
Corporate Bonds.....	<u>8,286,204</u>	<u>1,630,274</u>	<u>6,655,930</u>
Total Debt Securities.....	20,273,574	<u>\$ 8,870,760</u>	<u>\$ 11,402,814</u>
<u>Other Investments:</u>			
Equity Securities.....	2,889,214		
Pension Reserve Investment Management....	1,619,143		
MMDT Cash Portfolio.....	<u>84,804</u>		
Total Investments.....	<u>\$ 24,866,735</u>		

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

All of the Town’s OPEB trust assets are invested in the State Retirees Benefit Trust Fund (SRBTF), which was established under the provisions of Massachusetts General Laws Chapter 32A, Section 24. SRBTF assets are administered by the Pension Reserve Investment Management Board (PRIM). As of June 30, 2017, the value of these investments totaled \$1,619,143.

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 Town’s investments are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form. Out of the Town’s investments, \$500,000 of debt securities are fully insured by Securities Investor Protector Corporation and are not exposed to custodial credit risk. This leaves custodial credit risk exposure totaling \$19,773,574 because the related securities are uninsured, unregistered, and held by the counterparty. The Town does not have a formal investment policy for custodial credit risk.

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 increasing interest rates.

Credit Risk

The Town has not adopted a formal policy related to Credit Risk. The investment ratings are as follows:

	Government Sponsored Enterprises	Corporate Bonds
AA+.....\$	11,987,370	\$ -
A+.....	-	917,973
A.....	-	2,169,116
A-.....	-	1,330,794
AA-.....	-	594,683
AAA.....	-	1,108,708
BBB+.....	-	1,630,801
BBB.....	-	534,129
	<u>\$ 11,987,370</u>	<u>\$ 8,286,204</u>

Additionally, the Town holds \$84,804 in MMDT which are unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town’s investment in a single issuer. The Town places no limit on the amount the government may invest in any one issuer. As of June 30, 2017, the Town’s investments with a single issuer that represents 5 percent or more of the Town’s total investments are on the following page.

Issuer	Fair Value	Percentage of Total Investments
Federal Home Loan Mortgage Corporation.... \$	1,904,419	9.39%
Federal Home Loan Bank.....	3,280,058	16.18%
Federal Farm Credit Bank.....	1,920,336	9.47%
Federal National Management Association....	3,439,470	16.97%

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 Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments Measured at Fair Value:				
<u>Debt Securities:</u>				
Government Sponsored Enterprises..... \$	11,987,370	\$ 11,987,370	\$ -	-
Corporate Bonds.....	8,286,204	-	8,286,204	-
Total debt securities.....	20,273,574	11,987,370	8,286,204	-
<u>Other investments:</u>				
Equity securities.....	2,889,214	2,889,214	-	-
Total investments measured at fair value.....	23,162,788	\$ 14,876,584	\$ 8,286,204	\$ -
Investments Measured at Amortized Cost:				
MMDT Cash Portfolio.....	84,804			
Investments Measured at Net Asset Value:				
Pension Reserve Investment Management....	1,619,143			
Total investments.....	\$ 24,866,735			

Government sponsored enterprises and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices. Investments classified in Level 3 are valued using significant unobservable inputs. The Town does not have any investments in this category.

MMDT cash portfolio investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

PRIM investments are valued using the net asset value method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIM is administered by the Pension Reserves Investment Management Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Town does not have the ability to control any of the investment decisions relative to its funds in PRIM.

NOTE 3 – RECEIVABLES

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

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes....	\$ 803,855	\$ (84,837)	\$ 719,018
Tax liens.....	2,492,615	-	2,492,615
Motor vehicle and other excise taxes.....	510,457	(187,515)	322,942
Departmental and other.....	875,661	(146,492)	729,169
Intergovernmental.....	<u>2,944,509</u>	<u>-</u>	<u>2,944,509</u>
Total.....	<u>\$ 7,627,097</u>	<u>\$ (418,844)</u>	<u>\$ 7,208,253</u>

At June 30, 2017, receivables for the sewer and water enterprise funds are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Sewer fees.....	\$ 2,091,257	\$ -	\$ 2,091,257
Water fees.....	<u>2,824,248</u>	<u>-</u>	<u>2,824,248</u>
Total.....	<u>\$ 4,915,505</u>	<u>\$ -</u>	<u>\$ 4,915,505</u>

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues 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 *deferred inflows of resources* reported in the governmental funds were as follows:

	General Fund	Nonmajor Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes....	\$ 569,363	\$ -	\$ 569,363
Tax liens.....	2,486,896	5,719	2,492,615
Motor vehicle and other excise taxes.....	322,942	-	322,942
Departmental and other.....	567,731	-	567,731
Intergovernmental.....	-	2,374,954	2,374,954
Total.....	\$ 3,946,932	\$ 2,380,673	\$ 6,327,605

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the governmental activities 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.....	\$ 1,845,881	\$ -	\$ -	\$ 1,845,881
Construction in progress.....	7,886,794	633,350	(7,437,000)	1,083,144
Artwork.....	903,300	-	-	903,300
Total capital assets not being depreciated.....	10,635,975	633,350	(7,437,000)	3,832,325
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,010,186	151,271	(164,000)	1,997,457
Buildings.....	122,960,492	659,797	(6,615,000)	117,005,289
Buildings improvements.....	11,265,528	7,181,034	-	18,446,562
Machinery and equipment.....	11,375,569	867,413	(1,018,976)	11,224,006
Library and school books.....	3,261,757	-	-	3,261,757
Computer software.....	367,465	-	-	367,465
Infrastructure.....	45,173,622	1,120,068	-	46,293,690
Total capital assets being depreciated.....	196,414,619	9,979,583	(7,797,976)	198,596,226
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(534,932)	(86,892)	164,000	(457,824)
Buildings.....	(28,290,988)	(3,045,608)	5,717,125	(25,619,471)
Buildings improvements.....	(8,855,735)	(294,488)	-	(9,150,223)
Machinery and equipment.....	(6,824,447)	(564,897)	1,018,976	(6,370,368)
Library and school books.....	(3,223,435)	(5,537)	-	(3,228,972)
Computer software.....	(257,445)	(14,670)	-	(272,115)
Infrastructure.....	(31,114,951)	(382,023)	-	(31,496,974)
Total accumulated depreciation.....	(79,101,933)	(4,394,115)	6,900,101	(76,595,947)
Total capital assets being depreciated, net.....	117,312,686	5,585,468	(897,875)	122,000,279
Total governmental activities capital assets, net.....	\$ 127,948,661	\$ 6,218,818	\$ (8,334,875)	\$ 125,832,604

Capital asset activity for the business-type activities for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer Activities:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ -	\$ 152,537	\$ -	\$ 152,537
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 260,869	\$ 530,531	\$ -	\$ 791,400
Infrastructure.....	143,332,580	-	-	143,332,580
Total capital assets being depreciated.....	143,593,449	530,531	-	144,123,980
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(190,592)	(34,204)	-	(224,796)
Infrastructure.....	(38,111,571)	(2,976,506)	-	(41,088,077)
Total accumulated depreciation.....	(38,302,163)	(3,010,710)	-	(41,312,873)
Total sewer capital assets being depreciated, net.....	105,291,286	(2,480,179)	-	102,811,107
Total sewer capital assets, net.....	\$ 105,291,286	\$ (2,327,642)	\$ -	\$ 102,963,644
Water Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 204,000	\$ -	\$ -	\$ 204,000
Construction in progress.....	4,231,446	8,243,749	-	12,475,195
Total capital assets not being depreciated.....	4,435,446	8,243,749	-	12,679,195
<u>Capital assets being depreciated:</u>				
Buildings.....	22,455,883	-	-	22,455,883
Building improvements.....	4,345,425	79,564	-	4,424,989
Machinery and equipment.....	3,616,082	-	-	3,616,082
Infrastructure.....	73,969,659	-	-	73,969,659
Total capital assets being depreciated.....	104,387,049	79,564	-	104,466,613
<u>Less accumulated depreciation for:</u>				
Buildings.....	(14,267,476)	(381,718)	-	(14,649,194)
Building improvements.....	(2,762,481)	(188,383)	-	(2,950,864)
Machinery and equipment.....	(2,525,265)	(331,240)	-	(2,856,505)
Infrastructure.....	(48,980,568)	(1,546,059)	-	(50,526,627)
Total accumulated depreciation.....	(68,535,790)	(2,447,400)	-	(70,983,190)
Total water capital assets being depreciated, net.....	35,851,259	(2,367,836)	-	33,483,423
Total water capital assets, net.....	\$ 40,286,705	\$ 5,875,913	\$ -	\$ 46,162,618

An understatement of capital assets of \$3,412,576, in the Water Enterprise Fund, was discovered by management during the current year. Accordingly, an adjustment has been made in this report to restate the net position of the Water Enterprise Fund as of June 30, 2016 from \$26,888,278 to \$30,300,854.

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

Governmental Activities:

General government.....	\$	276,553
Public safety.....		527,699
Education.....		2,711,891
Public works.....		559,849
Culture and recreation.....		<u>318,123</u>

Total depreciation expense - governmental activities..... \$ 4,394,115

Business-Type Activities:

Sewer.....	\$	3,010,710
Water.....		<u>2,447,400</u>

Total depreciation expense - business-type activities..... \$ 5,458,110

NOTE 5 – INTERFUND TRANSFERS

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

Transfers Out:	Transfers In:			Total	
	General Fund	Sewer Enterprise Fund	Internal Service Fund		
General Fund.....	\$ -	\$ 4,411,617	\$ 128,871	\$ 4,540,488	(1)
Nonmajor Governmental Funds.....	<u>455,686</u>	<u>-</u>	<u>-</u>	<u>455,686</u>	(2)
Total.....	<u>\$ 455,686</u>	<u>\$ 4,411,617</u>	<u>\$ 128,871</u>	<u>\$ 4,996,174</u>	

(1) Represents budgeted transfers from the general fund to the sewer enterprise fund and the internal service fund.

(2) Represents transfers from nonmajor funds to the general fund and between other nonmajor funds.

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 and water and sewer enterprise funds, respectively.

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

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2016	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2017
Governmental Funds							
BAN	Municipal Purpose.....	0.70%	01/05/17	\$ 228,980	\$ -	\$ (228,980)	\$ -

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".

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

Bonds and Notes Payable Schedule – Governmental Funds

Issue:	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Municipal Purpose Bonds of 2007.....	2017	\$ 1,750,000	4.00-5.50	\$ 860,000	\$ -	\$ (860,000)	\$ -
Municipal Purpose Refunding Bonds of 2009.....	2019	2,795,000	2.00-3.125	610,000	-	(280,000)	330,000
Municipal Purpose Bonds of 2010.....	2020	200,000	2.00-4.00	80,000	-	(60,000)	20,000
Municipal Purpose Bonds of 2012.....	2031	32,170,000	2.00-4.00	23,700,000	-	(1,580,000)	22,120,000
Municipal Purpose Bonds of 2014.....	2022	100,000	2.00	60,000	-	(10,000)	50,000
Municipal Purpose Refunding Bonds of 2014.....	2022	3,285,025	2.00	1,808,065	-	(357,820)	1,450,245
Municipal Purpose Bonds of 2015.....	2035	7,600,000	2.50-5.00	7,220,000	-	(380,000)	6,840,000
Municipal Purpose Refunding Bonds of 2016.....	2025	1,055,000	2.00-5.00	1,055,000	-	(115,000)	940,000
Municipal Purpose Bonds of 2017.....	2036	4,100,000	2.00-5.00	-	4,100,000	(205,000)	3,895,000
Municipal Purpose Refunding Bonds of 2017.....	2026	718,500	2.00-5.00	-	718,500	-	718,500
Total governmental bonds payable.....				35,393,065	4,818,500	(3,847,820)	36,363,745
Add: unamortized premium.....				837,864	457,780	(215,629)	1,080,015
Total governmental bonds payable, net.....				\$ 36,230,929	\$ 5,276,280	\$ (4,063,449)	\$ 37,443,760

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

Year	Principal	Interest	Total
2018.....	\$ 2,931,040	\$ 1,307,499	\$ 4,238,539
2019.....	2,859,790	1,203,243	4,063,033
2020.....	2,690,795	1,095,289	3,786,084
2021.....	2,607,965	989,023	3,596,988
2022.....	2,599,155	888,463	3,487,618
2023.....	2,355,000	785,081	3,140,081
2024.....	2,355,000	698,931	3,053,931
2025.....	2,355,000	610,806	2,965,806
2026.....	2,240,000	534,631	2,774,631
2027.....	2,165,000	463,406	2,628,406
2028.....	2,165,000	390,556	2,555,556
2029.....	2,165,000	311,856	2,476,856
2030.....	2,165,000	233,156	2,398,156
2031.....	2,165,000	154,200	2,319,200
2032.....	585,000	74,513	659,513
2033.....	585,000	58,025	643,025
2034.....	585,000	40,550	625,550
2035.....	585,000	23,075	608,075
2036.....	205,000	5,125	210,125
Total.....	\$ 36,363,745	\$ 9,867,428	\$ 46,231,173

Bonds and Notes Payable Schedule – Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Sewer.....	2035	\$ 78,678,000	2.00-6.75	\$ 64,025,000	\$ -	\$ (61,610,000)	\$ 2,415,000
Sewer Refunding.....	2035	68,788,180	2.00-3.125	11,446,150	54,977,000	(1,862,425)	64,560,725
MCWT-Sewer.....	2017	3,822,550	-	294,446	-	(294,446)	-
Total sewer enterprise bonds payable.....				75,765,596	54,977,000	(63,766,871)	66,975,725
Add: unamortized premium.....				720,682	7,455,198	(640,642)	7,535,238
Total sewer enterprise bonds payable, net.....				\$ 76,486,278	\$ 62,432,198	\$ (64,407,513)	\$ 74,510,963

Debt service requirements for principal and interest for the sewer enterprise fund bonds and notes payable in future years are as follows:

Year	Principal	Interest	Total
2018.....	\$ 4,496,185	\$ 2,454,223	\$ 6,950,408
2019.....	5,166,290	2,327,289	7,493,579
2020.....	5,547,710	2,132,835	7,680,545
2021.....	5,380,560	1,916,529	7,297,089
2022.....	5,469,980	1,699,668	7,169,648
2023.....	5,670,000	1,439,218	7,109,218
2024.....	5,995,000	1,159,434	7,154,434
2025.....	6,235,000	863,994	7,098,994
2026.....	6,065,000	619,525	6,684,525
2027.....	6,135,000	433,750	6,568,750
2028.....	4,560,000	249,600	4,809,600
2029.....	2,910,000	154,300	3,064,300
2030.....	1,655,000	92,050	1,747,050
2031.....	370,000	53,356	423,356
2032.....	340,000	42,056	382,056
2033.....	335,000	31,430	366,430
2034.....	325,000	20,962	345,962
2035.....	320,000	10,400	330,400
Total.....	\$ 66,975,725	\$ 15,700,619	\$ 82,676,344

Bonds and Notes Payable Schedule – Water Enterprise Fund

Project	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Water.....	2029	\$ 22,259,000	2.00-6.75	\$ 16,445,000	\$ -	\$ (2,000,000)	\$ 14,445,000
Water Refunding.....	2022	4,363,295	2.00-3.125	2,405,785	399,500	(409,755)	2,395,530
MCWT-Water.....	2027	7,190,614	2.00	4,314,598	-	(354,200)	3,960,398
Total water enterprise bonds payable.....				\$ 23,165,383	\$ 399,500	\$ (2,763,955)	\$ 20,800,928
Add: unamortized premium.....				703,661	-	(57,177)	646,484
Total water enterprise bonds payable, net.....				\$ 23,869,044	\$ 399,500	\$ (2,821,132)	\$ 21,447,412

Debt service requirements for principal and interest for the water enterprise fund bonds and notes payable in future years are as follows:

Year	Principal	Interest	Total
2018.....	\$ 2,174,131	\$ 708,476	\$ 2,882,607
2019.....	1,952,576	631,470	2,584,046
2020.....	1,677,598	558,091	2,235,689
2021.....	1,605,176	491,723	2,096,899
2022.....	1,507,318	430,737	1,938,055
2023.....	1,389,361	390,613	1,779,974
2024.....	1,407,429	333,047	1,740,476
2025.....	1,275,660	274,812	1,550,472
2026.....	1,099,056	235,023	1,334,079
2027.....	1,067,623	199,558	1,267,181
2028.....	635,000	176,182	811,182
2029.....	635,000	157,232	792,232
2030.....	625,000	138,282	763,282
2031.....	625,000	119,532	744,532
2032.....	625,000	100,782	725,782
2033.....	625,000	81,250	706,250
2034.....	625,000	61,718	686,718
2035.....	625,000	41,406	666,406
2036.....	625,000	21,094	646,094
Total.....	\$ <u>20,800,928</u>	\$ <u>5,151,028</u>	\$ <u>25,951,956</u>

The Town was subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal and interest costs for debt that matured during 2017. The interest subsidies are guaranteed. The principal subsidies are supported through future investment income and are expected to be made, although not guaranteed. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The 2017 principal and interest subsidies totaled \$88,017 and \$6,464, respectively.

In order to take advantage of favorable interest rates, \$60,550,000 of general obligation bonds were advance refunded by placing the remaining proceeds of the refunding bonds, along with the premium, 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 \$10,084,346 and resulted in an economic gain of \$8,445,260. The differences between the refunding bonds issued and the carrying value of the existing debt was not material for governmental activities and the water enterprise fund and was not deferred in the Town's financial statements. The difference between the refunding bonds issued and the carrying value of the existing debt in the sewer enterprise fund has been recorded as a deferred loss on refunding in the Town's financial statements.

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 the following authorized and unissued debt:

Purpose	Amount
Ames Hill Storage Tank.....	\$ 25,000
Solar Panels.....	85,000
High School.....	10,766,582
Roads.....	3,000,000
Water	600,000
Central Fire Station.....	15,000,000
Total.....	\$ 29,476,582

Changes in Long-term Liabilities

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

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Governmental Activities:					
Long-Term Bonds and Notes.....	\$ 35,393,065	\$ 4,818,500	\$ (3,847,820)	\$ 36,363,745	\$ 2,931,040
Add: Unamortized Premium.....	837,864	457,780	(215,629)	1,080,015	131,982
Total Long-Term Bonds and Notes.....	36,230,929	5,276,280	(4,063,449)	37,443,760	3,063,022
Landfill Closure.....	8,336,280	-	(5,120,262)	3,216,018	241,544
Compensated Absences.....	2,153,000	1,210,600	(916,200)	2,447,400	873,200
Other Postemployment Benefits.....	50,541,856	8,523,261	(4,678,861)	54,386,256	-
Net Pension Liability.....	77,871,692	13,751,526	(6,377,003)	85,246,215	-
Total.....	\$ 175,133,757	\$ 28,761,667	\$ (21,155,775)	\$ 182,739,649	\$ 4,177,766
Business-Type Activities:					
Long-Term Bonds and Notes.....	\$ 98,930,979	\$ 55,376,500	\$ (66,530,826)	\$ 87,776,653	\$ 6,670,316
Add: Unamortized Premium.....	1,424,343	7,455,198	(697,819)	8,181,722	1,767,975
Total Long-Term Bonds and Notes.....	100,355,322	62,831,698	(67,228,645)	95,958,375	8,438,291
Compensated Absences.....	236,000	8,200	(63,000)	181,200	52,900
Other Postemployment Benefits.....	1,045,110	198,451	(108,940)	1,134,621	-
Net Pension Liability.....	7,429,556	1,432,987	(616,835)	8,245,708	-
Total.....	\$ 109,065,988	\$ 64,471,336	\$ (68,017,420)	\$ 105,519,904	\$ 8,491,191

Compensated absence liabilities related to governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. With the exception of compensated absence liabilities, the governmental long-term liabilities are generally liquidated by the general fund.

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town classifies fund balance according to the constraints imposed on the use of the resources.

There are 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, spendable fund balances are classified based on a hierarchy of spending constraints.

- **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.
- **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.

The Town has classified its fund balances with the following hierarchy:

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES:			
Restricted for:			
Town grant funds.....	\$ -	\$ 79,339	\$ 79,339
Town revolving funds.....	-	2,295,088	2,295,088
Town gift funds.....	-	362,295	362,295
Town receipts reserved.....	-	1,252	1,252
Town other funds.....	-	231,753	231,753
Town special articles.....	-	911	911
School grant funds.....	-	1,600,411	1,600,411
School revolving funds.....	-	1,348,123	1,348,123
School gift funds.....	-	57,401	57,401
School other funds.....	-	3,034	3,034
Restricted funds.....	-	3,423,847	3,423,847
Street projects.....	-	75,000	75,000
Town capital projects.....	-	2,430,923	2,430,923
Foster trust fund.....	-	26,821	26,821
Cemetery perpetual care.....	-	24,948	24,948
Committed to:			
General government.....	131,368	-	131,368
Public safety.....	182,617	-	182,617
Education.....	1,267,880	-	1,267,880
Public works.....	833,235	-	833,235
Human services.....	18,936	-	18,936
Culture and recreation.....	20,607	-	20,607
Assigned to:			
General government.....	209,083	-	209,083
Public safety.....	80,325	-	80,325
Education.....	942,062	-	942,062
Public works.....	248,945	-	248,945
Health and sanitation.....	112,159	-	112,159
Human services.....	12,544	-	12,544
Culture and recreation.....	49,313	-	49,313
Unassigned.....	<u>11,882,623</u>	<u>(95,923)</u>	<u>11,786,700</u>
TOTAL FUND BALANCES.....	\$ <u>15,991,697</u>	\$ <u>11,865,223</u>	\$ <u>27,856,920</u>

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. At year end the unassigned balance of the general fund includes \$1,805,725 of stabilization fund and \$725,000 of special education reserve fund.

NOTE 9 – RISK FINANCING

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. In addition, the Town is self-insured for damages not covered by commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town is self-insured for its health insurance and workers’ compensation activities. The health insurance and workers’ compensation activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. Incurred But Not Reported claims for workers’ compensation are immaterial and therefore not reported.

Health Insurance

The estimate of Incurred But Not Reported (IBNR) claims is based on a one and one half-month claims paid average. The Town purchases individual stop loss insurance for claims in excess of the coverage provided by the Town in the amount of \$150,000 per claim.

This liability is the best estimate based on available information. 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.....	\$ 1,445,356	\$ 15,672,161	\$ (15,881,496)	1,499,350
2017.....	1,499,350	13,309,819	(13,941,527)	867,642

NOTE 10 – PENSION PLAN

Plan Description

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 MCRS 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 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 \$8,262,000 is reported in the general fund as intergovernmental revenue and employee benefits and other fixed charges in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$80,992,323 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 among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2016, was \$6,933,838, 34% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2017, the Town reported a liability of \$93,491,923 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. 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 6.598%, which decreased from its 6.612% proportion measured at December 31, 2015.

Pension Expense

For the year ended June 30, 2017, the Town recognized a pension expense of \$9,990,087. At June 30, 2017, the Town reported deferred outflows of resources related to pensions of \$9,400,541, from the net difference between projected and actual investment earnings on pension plan investments and deferred inflows of resources related to pensions of \$1,149,751, from the changes in proportion and differences between employer contributions and the proportionate share of contributions. The System reported differences between expected and actual experience of \$7,976,453 and a change of assumptions of \$96,500,754 as of December 31, 2016.

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
Differences between expected and actual experience.....	\$ 421,058	\$ -	\$ 421,058
Difference between projected and actual earnings.....	3,881,587	-	3,881,587
Changes of assumptions.....	5,094,045	-	5,094,045
Changes in proportionate share of contributions.....	3,851	(1,149,751)	(1,145,900)
Total Deferred Outflows/(Inflows) of Resources.....	\$ 9,400,541	\$ (1,149,751)	\$ 8,250,790

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

Year ended June 30:	
2018.....	\$ 2,274,060
2019.....	2,274,060
2020.....	2,207,137
2021.....	1,495,533
Total.....	\$ 8,250,790

Actuarial Assumptions - The total pension liability in the January 1, 2016, actuarial valuation was determined using the following actuarial assumptions:

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.
Post-Retirement.....	The RP-2000 Employee Mortality Table projected generationally from 2009 with Scale BB2D.
Disabled Retiree.....	The RP-2000 Healthy 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 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 Real Rate of Return	Long-Term Expected Asset Allocation
Domestic equity.....	7.50%	19.50%
International equity.....	7.83%	16.80%
Emerging markets equity.....	9.61%	6.90%
Core fixed income.....	3.75%	12.30%
Value-added fixed income.....	7.26%	8.30%
Private Equity.....	9.50%	11.10%
Real estate.....	6.50%	10.00%
Timber/natural resources.....	6.00%	3.60%
Hedge funds.....	6.48%	9.00%
Liquidating portfolios.....	6.48%	0.40%
Portfolio completion strategies.....	6.48%	1.10%
Overlay.....	6.48%	1.00%
		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 7.35%. 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 position liability to changes in the discount rate. The table on the following page presents the net position liability, calculated using the discount rate of 7.75%, as well as what the net position 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.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount (7.75%)</u>	<u>1% Increase (8.75%)</u>
The Town's proportionate share of the net pension liability.....	\$ 112,899,979	\$ 93,491,923	\$ 77,089,453

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued Middlesex County Retirement Association financial report.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Tewksbury administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members. 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 75 - 85 percent of the cost of current-year premiums for healthcare, dental and life insurance for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 15 - 25 percent of their premium costs for healthcare, dental and life insurance. For 2017, the Town’s age-adjusted contribution to the plan totaled \$4.8 million.

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 begin pre-funding its other postemployment benefit (OPEB) liabilities. The Town has named the Health Care Security Board of Trustees (HCSBT) as Trustees of the OPEB Fund and as such has authorized the OPEB Trust Funds to be invested entirely in the State Retirement Benefits Trust Fund (SRBT Fund). Massachusetts General Law directs the HSCBT to invest the SRBT Fund in the Pension Reserves Investment Trust (PRIT) Fund. The Trustees have adopted a trust agreement detailing their duties and responsibilities as Trustees. The PRIT Fund is subject to oversight by the Pension Reserves Investment Management Board (PRIM) Board. A nine member Board of Trustees governs the PRIM Board. The Board of Trustees has the authority to employ an Executive Director, outside investment managers, custodians, consultants, and others as it deems necessary to formulate policies and procedures and to take such other actions as necessary and appropriate to manage the assets of the PRIT Fund.

During 2017, the Town pre-funded future OPEB liabilities totaling approximately \$350,000 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 \$1.6 million.

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

Active members.....	674
Inactive members currently receiving benefits.....	<u>834</u>
Total.....	<u><u>1,508</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.....	\$	84,738,937
Less: OPEB plan's fiduciary net position.....		<u>(1,619,143)</u>
Net OPEB liability.....	\$	<u>83,119,794</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....		1.91%

Significant Actuarial Methods and Assumptions – The Plan’s total OPEB liability in the July 1, 2016, actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation date.....	30-Jun-16
Actuarial cost method.....	Entry Age Normal
Investment rate of return.....	Full prefunding: 4.5% net of investment expenses
Healthcare cost trend rate.....	5.0% decreasing to 4.5% for periods starting in 2017
Participation.....	85% of future retirees are assumed to participate in the retiree medical plan. 85% of future retirees are assumed to elect life insurance.
Marital status.....	80% of male Town employees and 60% of female Town employees are assumed to have a covered spouse at retirement. Wives are assumed to be three years younger than their husbands.
Termination benefit.....	85% of current actives over age 50 with at least 10 years of service are expected to elect medical coverage starting at age 65.
Medical plan costs.....	The Town is self-insured. The estimated gross per capita incurred claim costs for all retirees and beneficiaries for 2016-17 at age 64 and 65 are \$16,408 and \$3,323, respectively. Medicare eligible retirees' per capita claims costs at age 65 is \$3,789. It is assumed that future retirees participate in the same manner as current retirees. Per capita costs were developed from age adjusting a blend of the current premium rates. Employee cost sharing is based on current rates. Future cost sharing is based on the weighted average of the current cost sharing of retirees and beneficiaries.

Amortization period..... 30-year level percent of pay assuming 4.0% aggregate annual payroll growth, open basis for Partial Prefunding. The amortization period is 30 years for all future valuations. Under Full Prefunding, a 30-year closed basis was used for the amortization. The amortization period is a specific number of years that is counted from one date, declining to zero with the passage of time.

Mortality..... It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2015, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2015.

Sensitivity of the net OPEB liability to changes in the discount rate – The following table presents the Plan’s net OPEB liability, calculated using the discount rate of 7.5%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Total OPEB liability.....	\$ 95,136,454	\$ 84,738,937	\$ 76,182,566
Less: Plan fiduciary net position.....	<u>(1,619,143)</u>	<u>(1,619,143)</u>	<u>(1,619,143)</u>
Net OPEB liability.....	<u>\$ 93,517,311</u>	<u>\$ 83,119,794</u>	<u>\$ 74,563,423</u>

Sensitivity of the net OPEB liability to changes in the healthcare trend – The following table presents the net other postemployment benefit liability, calculated the healthcare trend rate if it was 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Total OPEB liability.....	\$ 73,928,195	\$ 84,738,937	\$ 97,997,516
Less: Plan fiduciary net position.....	<u>(1,619,143)</u>	<u>(1,619,143)</u>	<u>(1,619,143)</u>
Net OPEB liability.....	<u>\$ 72,309,052</u>	<u>\$ 83,119,794</u>	<u>\$ 96,378,373</u>

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.....	\$ 8,242,118
Interest on net OPEB obligation.....	2,321,415
Adjustments to annual required contribution.....	<u>(1,841,821)</u>
Annual OPEB cost (expense).....	8,721,712
Contributions made.....	<u>(4,787,801)</u>
Increase in net OPEB obligation.....	3,933,911
Net OPEB obligation - beginning of year.....	<u>51,586,966</u>
Net OPEB obligation - end of year.....	<u><u>\$ 55,520,877</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and two previous years was 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	\$ 8,721,712	55%	\$ 55,520,877
6/30/2016	12,221,297	53%	51,586,966
6/30/2015	11,484,802	53%	45,812,763

Funded Status and Funding Progress – As of June 30, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$128.4 million. The actuarial value of assets for the plan was \$1.1 million. The remaining \$127.3 million was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$45.9 million, and the ratio of the UAAL to the covered payroll was 277.3%.

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 June 30, 2016, actuarial valuation, actuarial liabilities were determined using the projected unit credit method. The actuarial assumptions included a 4.5% 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 cost trend rate of 4.5%. The UAAL is being amortized over a 30 year open period assuming a 4% aggregate annual payroll growth. The remaining amortization period at June 30, 2016, is 30 years.

NOTE 12 – LANDFILL

In August 2009 the Town entered into a consent decree related to an environmental case associated with the Sutton Brook landfill. The original consent decree, among other matters, obligated the Town to contribute \$10,159,454, over a 30 year period ending in 2040, into a trust established to remedy the environmental impact created by the landfill. In Fiscal 2017 the Town made a lump sum payment of \$3,869,706 which reduced the present value of the obligation to \$3,216,018. Yearly payments on the remaining balance vary based on the cost of monitoring and maintenance of the landfill. The Fiscal 2018 payment will be \$241,543.

NOTE 13 – COMMITMENTS

The Town has applied to the Massachusetts School Building Authority (MSBA) and started a feasibility study for a new Elementary School. The new elementary school would combine multiple schools and cost approximately \$80-100 million. The Town approved construction of a new fire station which is scheduled to start during fiscal year 2018.

NOTE 14 – CONTINGENCIES

The District 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 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 20, 2017, which is the date the financial statements were available to be issued.

NOTE 16 – 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 changed to provide additional disclosure on the Other Postemployment Benefit Trust Fund.
- 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*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- 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 left intentionally blank

Required Supplementary Information

General Fund Budgetary Schedule

The General Fund is the general operating fund of the Town. It is used to account for all the financial resources, except those required to be accounted for in another fund.

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

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			
	Amounts	Current Year		Final
	Carried Forward From Prior Year	Initial Budget	Original Budget	Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 76,837,985	\$ 76,837,985	\$ 77,886,356
Motor vehicle and other excise taxes.....	-	3,922,305	3,922,305	3,922,305
Hotel/motel tax.....	-	822,230	822,230	822,230
Meals tax.....	-	526,124	526,124	526,124
Charges for services.....	-	963,457	963,457	963,457
Penalties and interest on taxes.....	-	361,779	361,779	361,779
Fees.....	-	205,502	205,502	205,502
Rentals.....	-	387,195	387,195	387,195
Payments in lieu of taxes.....	-	30,052	30,052	30,052
Licenses and permits.....	-	856,864	856,864	856,864
Fines and forfeitures.....	-	68,605	68,605	68,605
Intergovernmental.....	-	16,759,174	16,759,174	16,759,174
Departmental and other.....	-	45,000	45,000	45,000
Investment income.....	-	32,428	32,428	32,428
TOTAL REVENUES.....	-	101,818,700	101,818,700	102,867,071
EXPENDITURES:				
Current:				
General Government.....	419,934	3,250,311	3,670,245	3,434,590
Public Safety.....	230,911	12,782,648	13,013,559	13,434,152
Education.....	1,241,602	59,180,149	60,421,751	61,299,528
Public Works.....	768,888	3,147,205	3,916,093	4,720,961
Health and Sanitation.....	-	2,381,597	2,381,597	2,353,763
Human Services.....	8,820	1,013,090	1,021,910	798,872
Culture and Recreation.....	105,531	1,429,381	1,534,912	1,690,727
Pension benefits.....	-	5,436,137	5,436,137	5,436,137
Employee benefits.....	-	5,212,942	5,212,942	5,020,442
Claims and judgments.....	-	43,947	43,947	43,947
State and county charges.....	-	1,481,964	1,481,964	1,481,964
Debt service:				
Principal.....	-	2,706,776	2,706,776	2,812,820
Interest.....	-	1,719,866	1,719,866	1,781,426
TOTAL EXPENDITURES.....	2,775,686	99,786,014	102,561,700	104,309,329
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(2,775,686)	2,032,686	(743,000)	(1,442,258)
OTHER FINANCING SOURCES (USES):				
Premium from issuance of bonds.....	-	34,893	34,893	34,893
Transfers in.....	-	-	-	1,987,834
Transfers out.....	-	(5,858,423)	(5,858,423)	(7,921,085)
TOTAL OTHER FINANCING SOURCES (USES).	-	(5,823,530)	(5,823,530)	(5,898,358)
NET CHANGE IN FUND BALANCE.....	(2,775,686)	(3,790,844)	(6,566,530)	(7,340,616)
BUDGETARY FUND BALANCE, Beginning of year.....	11,013,297	11,013,297	11,013,297	11,013,297
BUDGETARY FUND BALANCE, End of year.....	\$ 8,237,611	\$ 7,222,453	\$ 4,446,767	\$ 3,672,681

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	78,247,152	\$ -	\$ 360,796
	5,027,531	-	1,105,226
	1,072,823	-	250,593
	633,000	-	106,876
	1,349,306	-	385,849
	446,955	-	85,176
	258,651	-	53,149
	534,812	-	147,617
	30,179	-	127
	1,289,387	-	432,523
	102,776	-	34,171
	17,000,782	-	241,608
	416,650	-	371,650
	128,032	-	95,604
	<u>106,538,036</u>	<u>-</u>	<u>3,670,965</u>
	2,992,905	340,451	101,234
	13,076,153	262,942	95,057
	58,161,838	2,209,943	927,747
	3,380,532	1,082,180	258,249
	2,235,956	112,159	5,648
	755,698	31,480	11,694
	1,499,940	69,921	120,866
	5,436,134	-	3
	4,734,830	-	285,612
	43,947	-	-
	1,657,840	-	(175,876)
	2,812,820	-	-
	<u>1,633,080</u>	<u>-</u>	<u>148,346</u>
	<u>98,421,673</u>	<u>4,109,076</u>	<u>1,778,580</u>
	<u>8,116,363</u>	<u>(4,109,076)</u>	<u>5,449,545</u>
	354,005	-	319,112
	2,443,520	-	455,686
	<u>(8,057,539)</u>	<u>-</u>	<u>(136,454)</u>
	<u>(5,260,014)</u>	<u>-</u>	<u>638,344</u>
	2,856,349	(4,109,076)	6,087,889
	<u>11,013,297</u>	<u>-</u>	<u>-</u>
\$	<u><u>13,869,646</u></u>	<u><u>(4,109,076)</u></u>	<u><u>6,087,889</u></u>

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 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 CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016
Town's proportion of the net pension liability (asset).....	6.748%	6.612%	6.598%
Town's proportionate share of the net pension liability (asset)..... \$	81,064,434	\$ 85,301,248	\$ 93,491,923
Town's covered employee payroll..... \$	18,938,690	\$ 19,696,238	\$ 20,571,433
Net pension liability as a percentage of covered-employee payroll.....	428.04%	433.08%	454.47%
Plan fiduciary net position as a percentage of the total pension liability.....	47.65%	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 CONTRIBUTORY RETIREMENT SYSTEM**

	June 30, 2015	June 30, 2016	June 30, 2017
Actuarially determined contribution.....	\$ 6,304,010	\$ 6,586,336	\$ 6,933,838
Contributions in relation to the actuarially determined contribution.....	<u>(6,304,010)</u>	<u>(6,586,336)</u>	<u>(6,933,838)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 18,938,690	\$ 19,696,238	\$ 20,571,433
Contributions as a percentage of covered- employee payroll.....	33.29%	33.44%	34.00%

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.....	\$ 80,992,323	\$ 8,261,748	52.73%
2016.....	71,879,600	3,587,027	55.38%
2015.....	55,302,785	3,261,000	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

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability presents multi-year trend information on the Plan's net other postemployment benefit liability and related ratios.

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 the Plan's other postemployment assets, net of investment expense.

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 presents multiyear trend information for required and actual contributions relating to the plan.

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.....	\$ 1,491,263
Interest.....	6,069,625
Changes of benefit terms.....	-
Differences between expected and actual experience.....	-
Changes of assumptions.....	-
Benefit payments.....	<u>(4,437,801)</u>
Net change in total OPEB liability.....	3,123,087
Total OPEB liability- beginning.....	<u>81,615,850</u>
Total OPEB liability- ending (a).....	<u><u>84,738,937</u></u>

Plan fiduciary net position

Contributions- employer	\$ 4,787,801
Net investment income.....	162,913
Benefit payments.....	<u>(4,437,801)</u>
Net change in plan fiduciary net position.....	512,913
Plan fiduciary net position- beginning.....	<u>1,106,230</u>
Plan fiduciary net position- ending (b).....	<u><u>\$ 1,619,143</u></u>

Town's net OPEB liability- ending (a)-(b)..... \$ 83,119,794

Plan fiduciary net position as a percentage of the
total OPEB liability..... 1.91%

Covered employee payroll..... 45,926,768

Town's net OPEB liability as a percentage of
covered employee payroll..... 180.98%

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
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017
Actuarially determined contribution.....	\$ 8,242,118
Contributions in relation to the actuarially determined contribution.....	(4,787,801)
Contribution deficiency (excess).....	\$ 3,454,317
Covered employee payroll.....	\$ 45,926,768
Contributions as a percentage of covered employee payroll.....	17.95%

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.....	13.17%
---	--------

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

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)
6/30/2016	\$ 1,098,869	\$ 128,442,095	\$ 127,343,226	0.9%	\$ 45,926,768	277.3%
6/30/2014	369,528	162,044,376	161,674,848	0.2%	38,278,536	422.4%
6/30/2012	-	160,077,732	160,077,732	0%	41,964,868	381.5%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2017	\$ 8,242,118	\$ 4,787,801	58%
6/30/2016	11,795,385	6,447,094	55%
6/30/2015	11,311,155	6,085,032	54%
6/30/2014	12,028,575	5,388,617	45%
6/30/2013	11,496,810	4,774,291	42%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	June 30, 2016
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 4%, open
Amortization period.....	30 years

Actuarial Assumptions:

Investment rate of return.....	Partial prefunding: 4.5% per year, net of investment expenses
Medical/drug cost trend rate.....	5% in 2016 graded to 4.5% for 2017 and after

Plan Membership:

Current retirees, beneficiaries, and dependents...	834
Current active members.....	<u>674</u>
Total	<u><u>1,508</u></u>

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**1. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is reviewed by the Finance Committee (Committee). The Committee presents the annual budget to the open Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, 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 less than \$1,500 within budget classifications require department and Town Manager approval while changes greater than \$1,500 require the additional approval of the Finance Committee. Increases or decreases between budget classifications subsequent to the approval of the annual budget requires majority vote at a Special Town Meeting.

The majority of appropriations are non-continuing and 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 payment of debt service is statutorily required, 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 at a Special Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2017 approved budget, including amounts carried forward from the prior years authorized approximately \$108.4 million in appropriations and other amounts to be raised. There was an approximately \$3.8 million increase from the original budget to the final amended budget.

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

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) 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 as follows:

Excess of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ 2,856,349
<u>Perspective difference:</u>	
Activity of the stabilization funds recorded in the general fund for GAAP.....	1,184,469
<u>Basis of accounting differences:</u>	
Net change in revenues in recording 60 day receipts.....	16,694
Net change in revenues in recording tax refunds payable.....	(257,173)
Net difference in recognition of expenditures.....	77,902
Increase in revenues due to on-behalf payments.....	8,262,000
Increase in expenditures due to on-behalf payments.....	<u>(8,262,000)</u>
Excess of revenues and other financing sources (uses) over expenditures - GAAP basis.....	<u>\$ 3,878,241</u>

3. Appropriation Deficits

During 2017, actual expenditures and encumbrances exceeded appropriations for state and county charges. These over expenditures will be funded with other available funds during 2018.

NOTE B – PENSION PLANSchedule 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.

Schedule of the 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 total appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on actuarial valuation results. In addition, the Town may contribute more than the amount required.

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.

Changes in Assumptions:

The pre-retirement mortality assumption was changed from the RP-2000 Employee Mortality Table projected 22 years with Scale AA to the RP-2000 Employee Mortality Table projected generationally from 2009 with Scale BB2D.

The mortality assumption for non-disabled retirees was changed from the RP-2000 Healthy Annuitant Mortality Table projected 17 years with Scale AA to the RP-2000 Employee Mortality Table projected generationally from 2009 with Scale BB2D.

The mortality assumption for disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table set forward three years projected 17 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally from 2015 with Scale BB2D.

The investment return assumption was lowered from 7.875% to 7.75%.

The administrative expense assumption was increased from \$3,400,000 for calendar 2014, increasing 4.0% per year, to \$3,500,000 for calendar 2016, increasing 3.5% per year.

Changes in Plan Provisions:

As permitted by Section 63 of Chapter 139 of the Acts of 2012, the Board has increased the Section 101 annual allowance from \$9,000 to \$12,000.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan ("the Other Post Employment Benefit Plan"). The plan provides lifetime healthcare, dental and life insurance 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 PlanSchedule of the Town's Proportionate Share of the Net Other Postemployment Benefit Liability

The Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefit Liability details the Plan's net other postemployment benefit liability (asset) and the covered employee payroll. 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 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 combined pre-funded and a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0.9%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

Schedule of Funding Progress

The Schedule of Funding Progress presents multiyear trend information which compares, over time, the Town's actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

Schedule of Employer Contributions

The Schedule of Employer Contributions presents multiyear trend information for the Town's 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.