

***TOWN OF MILTON, MASSACHUSETTS***

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

***YEAR ENDED JUNE 30, 2017***

TOWN OF MILTON, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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## Independent Auditor's Report

To the Honorable Board of Selectmen  
Town of Milton, Massachusetts

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## 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 Milton, 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 Milton, Massachusetts's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Milton, Massachusetts, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### **Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017, on our consideration of the Town of Milton, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Powers & Fullin, LLC". The signature is fluid and cursive, with "Powers & Fullin" on the top line and "LLC" on the bottom line.

October 26, 2017

## ***Management's Discussion and Analysis***

## Management's Discussion and Analysis

As management of the Town of Milton, we offer readers of the Town of Milton's financial statements this narrative overview and analysis of the financial activities of the Town of Milton for the year ended June 30, 2017. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

### ***Financial Highlights***

- The assets and deferred outflows of resources of the Town of Milton exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$98.5 million (net position).
- The total governmental net position decreased by \$9.6 million. The key element of the change for 2017 continues to be the OPEB liabilities, which increased by \$7.3 million this year.
- As required by GASB Statement #68, in 2017 the Town recognized their total net pension liability of \$31.6 million along with a deferred outflow and inflow related to pensions of \$6.8 million and \$906,000, respectively. Additional disclosures and schedules have been added to the notes to the basic financial statements and required supplementary information.
- As of the close of the current year, the Town of Milton's governmental funds reported combined ending fund balances of \$24.4 million, a decrease of \$3.3 million in comparison with the prior year. The decrease is attributable primarily to timing of capital expenditures funded by bonds issued in the prior year.
- In order to take advantage of favorable interest rates, the Town issued \$6,875,000 of General Obligation Refunding Bonds on March 30, 2017. This reduce total debt service payments over the next 13 years by \$886,932.
- At the end of the current year, unassigned fund balance for the general fund was \$8.5 million or 9.1% of total general fund budgetary expenditures.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Town of Milton's basic financial statements. The Town of Milton's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This approach focuses on both the Town as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Milton's finances, in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Town's financial position, which assists in assessing the Town's economic position at the end of the year. The statements are prepared using the full accrual basis of accounting. All revenues and expenses connected with the year are considered even if cash involved has not been received or disbursed. The government-wide financial statements include two statements:

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

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

Both of the government-wide financial statements distinguish functions of the Town of Milton that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Milton include general government, public safety, highways and streets, public works and cemetery, education, health and human services, employee benefits, capital outlay, and culture and recreation. The business-type activities of the Town of Milton include the Water, Sewer and Stormwater funds.

**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. The Town of Milton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Milton can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the 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 Milton 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 maintains three types of proprietary funds.

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water, sewer, and stormwater 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 active employees' and retirees' health insurance.

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

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town of Milton's budgetary basis of accounting.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Milton, governmental assets and deferred outflows exceeded liabilities and deferred inflows by \$98.5 million at the close of the most recent year.

Comparative analysis of the assets, liabilities, net position, revenues, expenses and transfers of the governmental and business-type activities are discussed herein.

**Governmental activities.** Key components of the Town's governmental activities financial position are listed below.

	2017	2016
<b>Assets:</b>		
Current assets.....	\$ 40,049,609	\$ 42,237,553
Capital assets, not being depreciated.....	5,380,827	2,666,533
Capital assets, net of accumulated depreciation.....	<u>139,784,794</u>	<u>143,292,166</u>
<b>Total assets.....</b>	<b><u>185,215,230</u></b>	<b><u>188,196,252</u></b>
 <b>Deferred outflows of resources.....</b>	<b><u>6,520,000</u></b>	<b><u>8,851,606</u></b>
 <b>Liabilities:</b>		
Current liabilities (excluding debt).....	4,424,669	4,880,832
Noncurrent liabilities (excluding debt).....	90,509,014	84,760,079
Current debt.....	5,147,791	3,002,118
Noncurrent debt.....	<u>25,768,797</u>	<u>29,026,842</u>
<b>Total liabilities.....</b>	<b><u>125,850,271</u></b>	<b><u>121,669,871</u></b>
 <b>Deferred inflows of resources.....</b>	<b><u>906,196</u></b>	<b><u>820,097</u></b>
 <b>Net Position:</b>		
Net invested in capital assets.....	116,853,638	119,560,237
Restricted.....	26,234,509	19,898,249
Unrestricted.....	<u>(78,109,384)</u>	<u>(64,900,596)</u>
<b>Total net position.....</b>	<b><u>\$ 64,978,763</u></b>	<b><u>\$ 74,557,890</u></b>

The largest single portion of the Town of Milton's net position reflects its investment in capital assets (e.g., land, buildings, vehicles and equipment); less any related debt used to acquire those assets that is still outstanding. The Town of Milton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Milton's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Please note that this balance (deficit) of \$78.1 million reflects the impact of the OPEB and Pension liabilities.

At the end of the current year, the Town of Milton is able to report positive balances in two of the three categories of net position for governmental activities and all categories of net position for business-type activities.

Governmental activities decreased the Town of Milton's net position by \$9.6 million. Key elements of this decrease are as follows:

	2017	2016
<b>Program revenues:</b>		
Charges for services.....	\$ 5,219,016	\$ 5,172,186
Operating grants and contributions.....	26,024,579	26,463,652
Capital grants and contributions.....	26,174	2,479,326
<b>General Revenues:</b>		
Real estate and personal property taxes.....	74,472,830	69,983,815
Motor vehicle and other excise taxes.....	4,348,162	3,998,558
Penalties and interest on taxes.....	339,612	364,742
Payment in lieu of taxes.....	103,276	107,311
Nonrestricted grants.....	4,706,466	4,512,803
Unrestricted investment income.....	514,491	398,167
Other revenues.....	28,789	11,093
<b>Total revenues.....</b>	<b>115,783,395</b>	<b>113,491,653</b>
<b>Expenses:</b>		
General government.....	9,679,836	9,005,590
Public safety.....	22,218,361	22,020,424
Education.....	82,808,634	76,375,767
Public works.....	7,076,760	7,221,432
Human services.....	945,273	878,296
Library.....	1,711,497	1,686,840
Culture and recreation.....	1,392,781	1,191,479
Interest.....	623,380	763,902
<b>Total expenses.....</b>	<b>126,456,522</b>	<b>119,143,730</b>
<b>Transfers.....</b>	<b>1,094,000</b>	<b>1,007,231</b>
<b>Change in net position.....</b>	<b>(9,579,127)</b>	<b>(4,644,846)</b>
<b>Net position - beginning of year.....</b>	<b>74,557,890</b>	<b>79,202,736</b>
<b>Net position - end of year.....</b>	<b>\$ 64,978,763</b>	<b>\$ 74,557,890</b>

The governmental activities decreased \$9.6 million during the current year as compared to a decrease in net position of \$4.6 million during the prior year. The main reason for this is the annual increase in the OPEB liability. In 2017 the Town, based on its actuarial valuation, recognized an increase of \$7.3 million in its OPEB liability. Overall revenues increased by \$2.3 million while expenditures increased by \$7.3 million when compared to 2016.

**Business-type activities.** Business-type activities increased the Town of Milton's net position by \$1.5 million. Key elements of this increase are as follows.

	2017	2016
<b>Assets:</b>		
Current assets.....	\$ 11,816,521	\$ 11,907,353
Capital assets, not being depreciated.....	6,471,708	6,549,536
Capital assets, net of accumulated depreciation.....	26,805,847	25,534,205
<b>Total assets.....</b>	<b>45,094,076</b>	<b>43,991,094</b>
 <b>Deferred outflows of resources.....</b>	<b>310,000</b>	<b>418,683</b>
 <b>Liabilities:</b>		
Current liabilities (excluding debt).....	519,149	861,887
Noncurrent liabilities (excluding debt).....	2,509,009	2,294,382
Current debt.....	1,251,985	646,836
Noncurrent debt.....	7,594,011	8,544,996
<b>Total liabilities.....</b>	<b>11,874,154</b>	<b>12,348,101</b>
 <b>Net Position:</b>		
Net invested in capital assets.....	24,431,559	22,891,909
Unrestricted.....	9,098,363	9,169,767
<b>Total net position.....</b>	<b>\$ 33,529,922</b>	<b>\$ 32,061,676</b>
	2017	2016
 <b>Program revenues:</b>		
Charges for services.....	\$ 14,652,178	\$ 13,756,261
 <b>General Revenues:</b>		
Unrestricted investment income.....	14,969	1,200
<b>Total revenues.....</b>	<b>14,667,147</b>	<b>13,757,461</b>
 <b>Expenses:</b>		
Water and sewer.....	<u>12,104,901</u>	<u>11,219,368</u>
 <b>Transfers.....</b>	<u>(1,094,000)</u>	<u>(1,007,231)</u>
 <b>Change in net position.....</b>	<b>1,468,246</b>	<b>1,530,862</b>
 <b>Net position - beginning of year.....</b>	<b>32,061,676</b>	<b>30,530,814</b>
 <b>Net position - end of year.....</b>	<b>\$ 33,529,922</b>	<b>\$ 32,061,676</b>

The increase in net position is because the water and sewer rates are designed primarily to provide additional resources to meet debt service requirements and make infrastructure improvements.

## **Financial Analysis of the Governmental Funds**

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

**Governmental funds.** The focus of the Town of Milton's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Milton's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year. As of the end of the current year, the Town of Milton's governmental funds reported combined ending balances of \$24.4 million, a decrease of \$3.3 in comparison with the prior year. The decrease is attributable primarily to timing of capital expenditures funded by bonds issued in the prior year.

The general fund is the chief operating fund of the Town of Milton. At the end of the current year, unassigned fund balance of the general fund was \$8.5 million, of which \$4.8 million relates to its two stabilization funds. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 9.1% of total general fund budgetary expenditures, while total fund balance represents 12.1% of that same amount.

The fund balance of the Town of Milton's general fund experienced an increase of \$603,000 during the current year. The increase is attributable primarily to \$189,000 investment income in the stabilization fund and a reduction in tax refunds payable of \$430,000. Using budgetary accounting the Town broke even.

**Proprietary funds.** The Town of Milton's proprietary funds provide the same type of information found in the government-wide financial statements.

Unrestricted net position of the Water, Sewer, and Stormwater funds at the end of the year amounted to \$4.9 million, \$4.1 million and \$125,000, respectively. The total growth in net position for each fund was \$828,000, \$515,000 and \$125,000, respectively.

### **General Fund Budgetary Highlights**

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

### **Capital Asset and Debt Administration**

**Capital assets.** The Town of Milton's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$178.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

**Long-term debt.** At the end of the current year, the Town of Milton had total bonded debt outstanding of \$37.2 million.

**Town of Milton's General Obligation Bonds Outstanding**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Municipal Purpose Bonds 2008.....	\$ 3,733,167	\$ -	\$ 3,733,167
Municipal Purpose Bonds 2009.....	-	-	-
Municipal Purpose Bonds 2012.....	4,265,000	-	4,265,000
Municipal Purpose Bonds 2014.....	3,005,000	-	3,005,000
Municipal Purpose Refunding Bonds 2014.....	4,086,000	-	4,086,000
Municipal Purpose Refunding Bonds 2015.....	3,715,000	-	3,715,000
Municipal Purpose Bonds 2016.....	2,040,349	-	2,040,349
Municipal Purpose Refunding Bonds 2017.....	6,875,000	-	6,875,000
Water System.....	-	7,623,204	7,623,204
Sewer System.....	-	922,021	922,021
<b>Total.....</b>	<b>\$ 27,719,516</b>	<b>\$ 8,545,225</b>	<b>\$ 36,264,741</b>

Standard & Poor's Corporation (S&P) has rated the Town's long-term debt in 2017 as AAA, S&P's highest rating; which indicates the Town's debt is considered to be a "high quality" investment.

Please refer to notes 4, 7 and 8 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 Milton'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 Accountant's Office, 525 Canton Avenue, Milton, MA 02186.

## ***Basic Financial Statements***

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**STATEMENT OF NET POSITION**

JUNE 30, 2017

<i>Primary Government</i>			
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
CURRENT:			
Cash and cash equivalents.....	\$ 31,151,547	\$ 8,423,450	\$ 39,574,997
Investments.....	3,971,506	-	3,971,506
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,027,433	-	1,027,433
Tax liens.....	2,524,314	-	2,524,314
Motor vehicle and other excise taxes.....	395,454	-	395,454
User fees.....	-	3,393,071	3,393,071
Departmental and other.....	272,507	-	272,507
Intergovernmental.....	711,848	-	711,848
NONCURRENT:			
Capital assets, not being depreciated.....	5,380,827	1,000,826	6,381,653
Capital assets, net of accumulated depreciation.....	139,784,794	32,276,729	172,061,523
TOTAL ASSETS.....	<u>185,220,230</u>	<u>45,094,076</u>	<u>230,314,306</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions.....	6,520,000	310,000	6,830,000
<b>LIABILITIES</b>			
CURRENT:			
Warrants payable.....	969,259	35,780	1,005,039
Accrued payroll.....	1,311,038	48,051	1,359,089
Health claims payable.....	621,211	-	621,211
Tax refunds payable.....	169,000	-	169,000
Accrued interest.....	330,943	60,037	390,980
Payroll withholdings.....	493,595	-	493,595
Abandoned property.....	20,456	-	20,456
Customer deposits payable.....	7,725	274,500	282,225
Capital lease obligations.....	8,036	-	8,036
Compensated absences.....	458,833	100,781	559,614
Workers' compensation.....	34,573	-	34,573
Notes payable.....	1,893,410	301,000	2,194,410
Bonds payable.....	3,217,381	951,214	4,168,595
NONCURRENT:			
Compensated absences.....	1,835,334	-	1,835,334
Workers' compensation.....	138,291	-	138,291
Other postemployment benefits.....	58,364,389	1,076,009	59,440,398
Net pension liability.....	30,171,000	1,433,000	31,604,000
Bonds payable.....	25,768,797	7,594,011	33,362,808
TOTAL LIABILITIES.....	<u>125,813,271</u>	<u>11,874,383</u>	<u>137,687,654</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred charge on refunding.....	906,196	-	906,196
<b>NET POSITION</b>			
Net investment in capital assets.....	116,890,638	24,431,330	141,321,968
Restricted for:			
Permanent funds:			
Expendable.....	6,700,884	-	6,700,884
Nonexpendable.....	6,700,884	-	6,700,884
Other purposes.....	12,847,741	-	12,847,741
Unrestricted.....	(78,119,384)	9,098,363	(69,021,021)
TOTAL NET POSITION.....	<u>\$ 65,020,763</u>	<u>\$ 33,529,693</u>	<u>\$ 98,550,456</u>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 9,642,836	\$ 806,143	\$ 505,558	\$ 26,174	\$ (8,304,961)
Public safety.....	22,218,361	2,235,138	277,457	-	(19,705,766)
Education.....	82,808,634	934,197	24,236,831	-	(57,637,606)
Public works.....	7,076,760	1,379,857	259,117	-	(5,437,786)
Human services.....	945,273	61,004	106,658	-	(777,611)
Library.....	1,711,497	-	-	-	(1,711,497)
Culture and recreation.....	1,392,781	84,213	638,958	-	(669,610)
Interest.....	623,380	-	-	-	(623,380)
<b>Total Governmental Activities.....</b>	<b>126,414,522</b>	<b>5,500,552</b>	<b>26,024,579</b>	<b>26,174</b>	<b>(94,863,217)</b>
<i>Business-Type Activities:</i>					
Water.....	5,028,607	6,331,310	-	-	1,302,703
Sewer.....	6,562,751	7,606,836	-	-	1,044,085
Stormwater.....	513,772	714,032	-	-	200,260
<b>Total Business-Type Activities.....</b>	<b>12,105,130</b>	<b>14,652,178</b>	<b>-</b>	<b>-</b>	<b>2,547,048</b>
<b>Total Primary Government.....</b>	<b>\$ 138,519,652</b>	<b>\$ 20,152,730</b>	<b>\$ 26,024,579</b>	<b>\$ 26,174</b>	<b>\$ (92,316,169)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

YEAR ENDED JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ <b>(94,863,217)</b>	\$ <b>2,547,048</b>	\$ <b>(92,316,169)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	74,472,830	-	74,472,830
Motor vehicle and other excise taxes.....	4,153,738	-	4,153,738
Penalties and interest on taxes.....	339,612	-	339,612
Payments in lieu of taxes.....	103,276	-	103,276
Grants and contributions not restricted to specific programs.....	4,706,466	-	4,706,466
Unrestricted investment income.....	514,491	14,969	529,460
Other.....	28,789	-	28,789
<i>Transfers, net</i> .....	<u>1,006,888</u>	<u>(1,094,000)</u>	<u>(87,112)</u>
Total general revenues and transfers.....	<u>85,326,090</u>	<u>(1,079,031)</u>	<u>84,247,059</u>
Change in net position.....	(9,537,127)	1,468,017	(8,069,110)
<i>Net Position:</i>			
Beginning of year.....	<u>74,557,890</u>	<u>32,061,676</u>	<u>106,619,566</u>
End of year.....	<u>\$ 65,020,763</u>	<u>\$ 33,529,693</u>	<u>\$ 98,550,456</u>

(Concluded)

**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**

JUNE 30, 2017

<b>ASSETS</b>	<b>General</b>	<b>Town</b>	<b>Nonmajor</b>	<b>Total</b>
		<b>Capital</b>		
Cash and cash equivalents.....	\$ 13,980,589	\$ 2,602,982	\$ 8,698,765	\$ 25,282,336
Investments.....	-	-	3,971,506	3,971,506
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	1,027,433	-	-	1,027,433
Tax liens and foreclosures.....	2,524,314	-	-	2,524,314
Motor vehicle and other excise taxes.....	395,454	-	-	395,454
Departmental and other.....	3,565	-	268,942	272,507
Intergovernmental.....	-	-	711,848	711,848
<b>TOTAL ASSETS</b> .....	<b>\$ 17,931,355</b>	<b>\$ 2,602,982</b>	<b>\$ 13,651,061</b>	<b>\$ 34,185,398</b>
<b>LIABILITIES:</b>				
Warrants payable.....	\$ 830,107	\$ 3,714	\$ 134,359	\$ 968,180
Accrued payroll.....	1,113,700	-	197,338	1,311,038
Tax refunds payable.....	169,000	-	-	169,000
Liabilities due depositors.....	7,725	-	-	7,725
Payroll withholdings.....	493,595	-	-	493,595
Abandoned property.....	20,456	-	-	20,456
Notes payable.....	-	1,045,000	848,410	1,893,410
<b>TOTAL LIABILITIES</b> .....	<b>2,634,583</b>	<b>1,048,714</b>	<b>1,180,107</b>	<b>4,863,404</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues.....	3,994,856	-	892,175	4,887,031
<b>FUND BALANCES:</b>				
Nonspendable.....	-	-	2,615,136	2,615,136
Restricted.....	-	1,554,268	9,340,430	10,894,698
Assigned.....	2,766,622	-	-	2,766,622
Unassigned.....	8,535,294	-	(376,787)	8,158,507
<b>TOTAL FUND BALANCES</b> .....	<b>11,301,916</b>	<b>1,554,268</b>	<b>11,578,779</b>	<b>24,434,963</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> .....	<b>\$ 17,931,355</b>	<b>\$ 2,602,982</b>	<b>\$ 13,651,061</b>	<b>\$ 34,185,398</b>

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

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Total governmental fund balances.....	\$ 24,434,963
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	145,165,621
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	4,887,031
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.....	6,520,000
 The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....	 5,246,921
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(330,943)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds payable.....	(28,986,178)
Net pension liability.....	(30,171,000)
Other postemployment benefits.....	(58,364,389)
Workers compensation.....	(172,864)
Capital lease obligations.....	(8,036)
Compensated absences.....	(2,294,167)
 Net effect of reporting long-term liabilities.....	 (119,996,634)
In the statement of activities, deferred losses are reported for refundings of debt, which are amortized over the shorter of the remaining life of the refunding bonds or refunded bonds. In governmental funds, defeasances of debt are expensed when the refunding bonds are issued.....	(906,196)
 Net position of governmental activities.....	 <u>\$ 65,020,763</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

	General	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ 74,014,021	\$ -	\$ -	\$ 74,014,021
Motor vehicle and other excise taxes.....	4,190,008	- -	- -	4,190,008
Penalties and interest on taxes.....	339,612	- -	- -	339,612
Payments in lieu of taxes.....	103,276	- -	- -	103,276
Intergovernmental.....	20,830,681	26,174	7,688,973	28,545,828
Departmental and other.....	3,468,004	- -	4,461,427	7,929,431
Contributions.....	- -	- -	597,013	597,013
Investment income.....	281,202	- -	233,014	514,216
Miscellaneous.....	28,789	- -	- -	28,789
<b>TOTAL REVENUES.....</b>	<b>103,255,593</b>	<b>26,174</b>	<b>12,980,427</b>	<b>116,262,194</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	5,249,815	196,275	611,164	6,057,254
Public safety.....	12,450,281	6,496	1,516,318	13,973,095
Education.....	45,015,621	- -	9,278,462	54,294,083
Public works.....	4,794,810	3,412,956	1,402,248	9,610,014
Human services.....	545,950	- -	117,685	663,635
Library.....	1,371,311	- -	27,344	1,398,655
Culture and recreation.....	468,389	121,647	657,406	1,247,442
Pension benefits.....	15,804,249	- -	- -	15,804,249
Employee benefits.....	10,701,339	- -	- -	10,701,339
State and county charges.....	3,341,399	- -	- -	3,341,399
Debt service:				
Principal.....	2,979,379	- -	- -	2,979,379
Interest.....	927,231	- -	- -	927,231
<b>TOTAL EXPENDITURES.....</b>	<b>103,649,774</b>	<b>3,737,374</b>	<b>13,610,627</b>	<b>120,997,775</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
OVER (UNDER) EXPENDITURES.....	(394,181)	(3,711,200)	(630,200)	(4,735,581)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from refunding bonds.....	6,875,000	- -	- -	6,875,000
Premium from issuance of bonds.....	299,336	- -	- -	299,336
Premium from issuance of refunding bonds.....	481,069	- -	- -	481,069
Payment to current refunding fund.....	(7,248,746)	- -	- -	(7,248,746)
Transfers in.....	1,095,400	- -	505,000	1,600,400
Transfers out.....	(505,000)	- -	(88,512)	(593,512)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>997,059</b>	<b>- -</b>	<b>416,488</b>	<b>1,413,547</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>602,878</b>	<b>(3,711,200)</b>	<b>(213,712)</b>	<b>(3,322,034)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>10,699,038</b>	<b>5,265,468</b>	<b>11,792,491</b>	<b>27,756,997</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 11,301,916</b>	<b>\$ 1,554,268</b>	<b>\$ 11,578,779</b>	<b>\$ 24,434,963</b>

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.....	\$ (3,322,034)
<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.....	4,818,394
Depreciation expense.....	<u>(5,611,472)</u>
<p>    Net effect of reporting capital assets.....</p>	
	(793,078)
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>	
	(391,961)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>	
Amortization of deferred charge on refunding.....	161,901
Amortization of bond premiums.....	(276,597)
Capital lease principal payments.....	7,591
Debt service principal payments.....	<u>2,979,379</u>
Net effect of reporting long-term debt.....	2,872,274
<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.....	(81,660)
Net change in workers compensation accrual.....	578,515
Net change in accrued interest on long-term debt.....	211,210
Other postemployment benefits.....	(7,282,687)
Net change in deferred outflow/(inflow) of resources related to pensions.....	(2,331,606)
Net change in net pension liability.....	<u>1,128,232</u>
Net effect of recording long-term liabilities.....	(7,777,996)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>	
The net activity of internal service funds is reported with Governmental Activities.....	<u>(124,332)</u>
Change in net position of governmental activities.....	<u>\$ (9,537,127)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2017

Business-type Activities - Enterprise Funds						
	Water	Sewer	Stormwater	Total	Governmental Activities - Internal Service Funds	
<b>ASSETS</b>						
<b>CURRENT:</b>						
Cash and cash equivalents.....	\$ 5,042,653	\$ 3,344,948	\$ 35,849	\$ 8,423,450	\$ 5,869,211	
Receivables, net of allowance for uncollectibles:						
User fees.....	1,315,502	1,967,164	110,405	3,393,071		-
Total current assets.....	6,358,155	5,312,112	146,254	11,816,521		5,869,211
<b>NONCURRENT:</b>						
Capital assets, not being depreciated.....	-	1,000,826	-	1,000,826		-
Capital assets, net of accumulated depreciation.....	20,931,851	11,344,878	-	32,276,729		
Total noncurrent assets.....	20,931,851	12,345,704	-	33,277,555		
<b>TOTAL ASSETS.....</b>	<b>27,290,006</b>	<b>17,657,816</b>	<b>146,254</b>	<b>45,094,076</b>		<b>5,869,211</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows of resources related to pensions.....	166,000	144,000	-	310,000		-
<b>LIABILITIES</b>						
<b>CURRENT:</b>						
Warrants payable.....	14,258	6,394	15,128	35,780		1,079
Accrued payroll.....	23,241	18,952	5,858	48,051		-
Health claims payable.....	-	-	-	-		621,211
Accrued interest.....	51,358	8,679	-	60,037		-
Customer deposits payable.....	155,500	119,000	-	274,500		-
Compensated absences.....	52,190	48,591	-	100,781		-
Notes payable.....	206,000	95,000	-	301,000		-
Bonds payable.....	764,717	186,497	-	951,214		-
Total current liabilities.....	1,267,264	483,113	20,986	1,771,363		622,290
<b>NONCURRENT:</b>						
Other postemployment benefits.....	557,217	518,792	-	1,076,009		-
Net pension liability.....	769,000	664,000	-	1,433,000		-
Bonds payable.....	6,858,487	735,524	-	7,594,011		-
Total noncurrent liabilities.....	8,184,704	1,918,316	-	10,103,020		-
<b>TOTAL LIABILITIES.....</b>	<b>9,451,968</b>	<b>2,401,429</b>	<b>20,986</b>	<b>11,874,383</b>		<b>622,290</b>
<b>NET POSITION</b>						
Net invested in capital assets.....	13,102,647	11,328,683	-	24,431,330		-
Unrestricted.....	4,901,391	4,071,704	125,268	9,098,363		5,246,921
<b>TOTAL NET POSITION.....</b>	<b>\$ 18,004,038</b>	<b>\$ 15,400,387</b>	<b>\$ 125,268</b>	<b>\$ 33,529,693</b>	<b>\$ 5,246,921</b>	

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

Business-type Activities - Enterprise Funds					
	Water	Sewer	Stormwater	Total	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES:</b>					
Employee contributions .....	\$ -	\$ -	\$ -	\$ -	\$ 2,604,440
Employer contributions .....	- -	- -	- -	- -	9,640,259
Charges for services .....	<u>6,331,310</u>	<u>7,606,836</u>	<u>714,032</u>	<u>14,652,178</u>	<u>- -</u>
<b>TOTAL OPERATING REVENUES</b> .....	<b><u>6,331,310</u></b>	<b><u>7,606,836</u></b>	<b><u>714,032</u></b>	<b><u>14,652,178</u></b>	<b><u>12,244,699</u></b>
<b>OPERATING EXPENSES:</b>					
Cost of services and administration .....	1,140,563	804,092	504,177	2,448,832	- -
MWRA assessment.....	<u>3,360,396</u>	<u>5,362,055</u>	<u>- -</u>	<u>8,722,451</u>	<u>- -</u>
Depreciation.....	<u>410,526</u>	<u>345,120</u>	<u>- -</u>	<u>755,646</u>	<u>- -</u>
Employee benefits .....	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>12,369,306</u>
<b>TOTAL OPERATING EXPENSES</b> .....	<b><u>4,911,485</u></b>	<b><u>6,511,267</u></b>	<b><u>504,177</u></b>	<b><u>11,926,929</u></b>	<b><u>12,369,306</u></b>
<b>OPERATING INCOME (LOSS)</b> .....	<b><u>1,419,825</u></b>	<b><u>1,095,569</u></b>	<b><u>209,855</u></b>	<b><u>2,725,249</u></b>	<b><u>(124,607)</u></b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income.....	<u>10,510</u>	<u>4,451</u>	<u>8</u>	<u>14,969</u>	<u>275</u>
Interest expense.....	<u>(117,122)</u>	<u>(51,484)</u>	<u>(9,595)</u>	<u>(178,201)</u>	<u>- -</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET</b> .....	<b><u>(106,612)</u></b>	<b><u>(47,033)</u></b>	<b><u>(9,587)</u></b>	<b><u>(163,232)</u></b>	<b><u>275</u></b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b> .....	<b><u>1,313,213</u></b>	<b><u>1,048,536</u></b>	<b><u>200,268</u></b>	<b><u>2,562,017</u></b>	<b><u>(124,332)</u></b>
<b>TRANSFERS:</b>					
Transfers out.....	<u>(485,000)</u>	<u>(534,000)</u>	<u>(75,000)</u>	<u>(1,094,000)</u>	<u>- -</u>
<b>CHANGE IN NET POSITION</b> .....	<b><u>828,213</u></b>	<b><u>514,536</u></b>	<b><u>125,268</u></b>	<b><u>1,468,017</u></b>	<b><u>(124,332)</u></b>
<b>NET POSITION AT BEGINNING OF YEAR</b> .....	<b><u>17,175,825</u></b>	<b><u>14,885,851</u></b>	<b><u>- -</u></b>	<b><u>32,061,676</u></b>	<b><u>5,371,253</u></b>
<b>NET POSITION AT END OF YEAR</b> .....	<b><u>\$ 18,004,038</u></b>	<b><u>\$ 15,400,387</u></b>	<b><u>\$ 125,268</u></b>	<b><u>\$ 33,529,693</u></b>	<b><u>\$ 5,246,921</u></b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2017**

<b>Business-type Activities - Enterprise Funds</b>						
	<b>Water</b>	<b>Sewer</b>	<b>Stormwater</b>	<b>Total</b>	<b>Governmental Activities - Internal Service Funds</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers and users.....	\$ 6,470,693	\$ 7,598,102	\$ 603,627	\$ 14,672,422	\$ 12,244,699	
Payments to vendors.....	(3,930,431)	(5,527,984)	(331,991)	(9,790,406)	(12,471,474)	
Payments to employees.....	(691,885)	(560,451)	(151,200)	(1,403,536)		
NET CASH FROM OPERATING ACTIVITIES.....	<u>1,848,377</u>	<u>1,509,667</u>	<u>120,436</u>	<u>3,478,480</u>		<u>(226,775)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers out.....	(485,000)	(534,000)	(75,000)	(1,094,000)		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Proceeds from the issuance of bonds.....	206,000 x	95,000 x	-	301,000		
Acquisition and construction of capital assets.....	(933,948) x	(1,015,512) x	-	(1,949,460)		
Principal payments on bonds.....	(489,406) x	(157,432) x	-	(646,838)		
Interest expense.....	(117,107) x	(53,537) x	(9,595)	(180,239)		
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(1,334,461)</u>	<u>(1,131,481)</u>	<u>(9,595)</u>	<u>(2,475,537)</u>		<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Investment income.....	10,510	4,451	8	14,969		275
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	<u>39,426</u>	<u>(151,363)</u>	<u>35,849</u>	<u>(76,088)</u>		<u>(226,500)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>5,003,227</u>	<u>3,496,311</u>	<u>-</u>	<u>8,499,538</u>		<u>6,095,711</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 5,042,653</u>	<u>\$ 3,344,948</u>	<u>\$ 35,849</u>	<u>\$ 8,423,450</u>		<u>\$ 5,869,211</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>						
Operating income (loss).....	\$ 1,419,825	\$ 1,095,569	\$ 209,855	\$ 2,725,249	\$ (124,607)	
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation.....	410,526	345,120	-	755,646		
Deferred outflows/(inflows) related to pensions.....	58,707 x	49,976 x			108,683	
Changes in assets and liabilities:						
User fees.....	128,883 x	(3,734) x	(110,405)	14,744		
Warrants payable.....	(294,360) x	(80,662) x	15,128	(359,894)	427	
Accrued payroll.....	3,028 x	2,900 x	5,858	11,786		
Health claims payable.....	-	-	-			(102,595)
Customer deposits payable.....	10,500 x	(5,000) x	-	5,500		
Other postretirement benefits.....	135,722 x	126,364	-	262,086		
Net pension liability.....	(25,562) x	(21,897)	-	(47,459)		
Compensated absences.....	1,108 x	1,031 x	-	2,139		
Total adjustments.....	<u>428,552</u>	<u>414,098</u>	<u>(89,419)</u>	<u>753,231</u>		<u>(102,168)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 1,848,377</u>	<u>\$ 1,509,667</u>	<u>\$ 120,436</u>	<u>\$ 3,478,480</u>		<u>\$ (226,775)</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**

JUNE 30, 2017

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	Pension Trust Fund (as of December 31, 2016)	Other Postemployment Benefits Trust	Private Purpose Trust Funds
<b>ASSETS</b>			
CURRENT:			
Cash and cash equivalents.....	\$ 840,446	\$ 752,564	\$ 127,231
Investments.....	115,173,268	-	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	24,000	-	-
<b>TOTAL ASSETS</b> .....	<b>116,037,714</b>	<b>752,564</b>	<b>127,231</b>
<b>NET POSITION</b>			
Restricted for pension benefits.....	116,037,714	-	-
Held in trust for other postemployment benefits.....	-	752,564	-
Held in trust for other purposes.....	-	-	127,231
<b>TOTAL NET POSITION</b> .....	<b>\$ 116,037,714</b>	<b>\$ 752,564</b>	<b>\$ 127,231</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

YEAR ENDED JUNE 30, 2017

	Pension Trust Fund (as of December 31, 2016)	#	Other Postemployment Benefits Trust	Private Purpose Trust Funds
<b><u>ADDITIONS:</u></b>				
Contributions:				
Employer contributions to the trust.....	\$ 5,598,947	\$ 153,276	\$ -	-
Employer contributions to pay for OPEB benefits.....	- - -	3,109,895	- - -	-
Employee contributions.....	2,097,686	- - -	- - -	-
Total contributions.....	7,696,633	3,263,171	- - -	-
Net investment income (loss):				
Net change in fair value of investments.....	5,485,301	- - -	- - -	-
Interest and dividends.....	3,154,722	66,426	- - -	227
Total investment income (loss).....	8,640,023	66,426	- - -	227
Less: investment expense.....	(589,119)	- - -	- - -	-
Net investment income (loss).....	8,050,904	66,426	- - -	227
Intergovernmental.....	93,664	- - -	- - -	-
Transfers from other systems.....	449,961	- - -	- - -	-
<b>TOTAL ADDITIONS.....</b>	<b>16,291,162</b>	<b>3,329,597</b>	<b>- - -</b>	<b>227</b>
<b><u>DEDUCTIONS:</u></b>				
OPEB benefits.....	- - -	3,109,895	- - -	-
Administration.....	195,278	- - -	- - -	-
Transfers to other systems.....	532,837	- - -	- - -	-
Retirement benefits and refunds.....	8,268,541	- - -	- - -	-
Educational scholarships.....	- - -	- - -	- - -	24,100
<b>TOTAL DEDUCTIONS.....</b>	<b>8,996,656</b>	<b>3,109,895</b>	<b>- - -</b>	<b>24,100</b>
<b>CHANGE IN NET POSITION.....</b>	<b>7,294,506</b>	<b>219,702</b>	<b>(23,873)</b>	
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>108,743,208</b>	<b>532,862</b>	<b>151,104</b>	
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 116,037,714</b>	<b>\$ 752,564</b>	<b>\$ 127,231</b>	

See notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Town of Milton, 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 accounting policies are described herein.

**A. Reporting Entity**

The Town is a municipal corporation that is governed by an elected Board of Selectmen and an appointed Town Administrator.

For financial reporting purposes, the Town has included all funds, organizations, account groups, 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. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

*Component Unit Presented as a Fiduciary Fund* – The following component unit is presented as a Fiduciary Fund of the primary government due to the nature and significance of the relationship between the Town and the component unit.

The Milton Contributory Retirement System (MCRS) was established to provide retirement benefits to Town employees, the Town Housing Authority employees, and their beneficiaries. The MCRS is governed by a five-member board comprised of the Town Accountant (ex-officio), two elected members, a member appointed by the Board of Selectmen and a member appointed by the other four members. The MCRS is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

The System did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 191 Cabot Street, Beverly, Massachusetts 01915.

**Joint Ventures**

The Town has entered into a joint venture with the Towns of Avon, Canton, Dedham, Braintree, Holbrook, Westwood, Norwood, and Randolph to pool resources and share the costs, risks and rewards of providing vocational education through the Blue Hills Regional Technical School District. The assessment for 2017 was \$902,313.

The Town is a member of the Massachusetts Water Resources Authority (MWRA), a joint venture with other Massachusetts governmental entities that was organized to provide water and sewer services to the respective members' Cities, Towns, and Districts. Complete financial statements for the MWRA can be obtained directly from their administrative office located at 100 First Avenue, Building 39, Boston, Massachusetts 02129.

## **Availability of Financial Information for Component Units**

The MCRS did not issue a separate audited financial statement. The MCRS issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the MCRS located at 525 Canton Avenue, Milton, Massachusetts, 02186.

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

### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

### *Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

#### *Major Fund Criteria*

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

- If total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows or resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Internal service 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 restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions 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. Exceptions are charges between the general fund and water and sewer enterprise fund. 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 following major governmental funds are reported:

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

The *town capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and trust funds).

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 *water, sewer, and stormwater enterprise funds* are used to account for the water, sewer, and stormwater activities.

Additionally, the Town reports an *internal service fund* as a proprietary fund type. This fund is used to account for the risk financing activities related to active employees' and retirees' health insurance.

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

The following fiduciary fund types are reported:

The *other postemployment benefit trust fund* is used to account for other postemployment benefit (OPEB), which accumulate resources to provide funding for future OPEB liabilities.

The *pension trust fund* is used to account for the activities of the MCRS, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

#### *Government-Wide and Fund Financial Statements*

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

#### 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 Measurement

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 and Retirement System financial instruments, see Note 2 – Fair Value Measurements.

## 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 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> 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 six months after the close of the valuation 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 of uncollectibles is estimated based on historical trends and specific account analysis.

#### ***Motor Vehicle and Other Excise Taxes***

Motor vehicle excise taxes are assessed annually for each vehicle registered 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.

#### ***Water and Sewer User Fees***

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period. Water and Sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Water and 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.

#### ***Departmental and Other***

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

All purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

Capital Asset Type	Estimated Useful Life (in years)
Land improvements.....	30
Buildings.....	40
Vehicles and equipment.....	3-40
Infrastructure.....	40-50

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

*Governmental Fund Financial Statements*

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

I. Deferred Outflows/Inflows of Resources*Government-Wide Financial Statements (Net Position)*

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

***Governmental Fund Financial Statements***

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

**J. Net Position Flow Assumption*****Government-Wide Financial Statements (Net Position)***

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.

**K. 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. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances."

***Fund Financial Statements***

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

**L. 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. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net."

*Fund Financial Statements*

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

M. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

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

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 depleted before unrestricted – net position is applied.

Net position has been "restricted for" the following:

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

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other purposes" represents restrictions placed on assets from outside parties.

*Fund Financial Statements (Fund Balances)*

The governmental fund balance classifications are as follows:

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

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

"Committed" fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

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

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

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.

#### N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Milton Contributory 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. Capital Lease Obligations

The Town leases various assets under capital lease agreements. In the government-wide and proprietary funds financial statements, capital leases and the related lease obligations are reported as liabilities in the applicable governmental activities or proprietary funds statement of net position.

#### P. 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. Bonds payable are reported net of the applicable bond premium or discount.

##### *Governmental Fund Financial Statements*

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

#### Q. Investment Income

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

Investment income from proprietary funds is retained by that fund.

#### R. 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.

*Government 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.

S. 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.

T. 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 combined 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.

The Pension Reserves Investment Management (PRIM) Board is charged with the general supervision of the Pension Reserves Investment Trust (PRIT) Fund. The PRIT Fund is a pooled investment fund established to invest the pension funds of the Massachusetts State Employees' and Teachers' Retirement Systems, and the assets of the county, authority, district, and municipal retirement systems that choose to invest in the Fund. The PRIT Fund was created in December 1983 by the Legislature (Chapter 661, Acts 1983) with a mandate to accumulate the assets through investment earnings and other revenue sources in order to reduce the Commonwealth's significant unfunded pension liability, and to assist local participating retirement systems in meeting their future pension obligations.

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's policy for custodial risk is to place funds in institutions that provide the highest possible rate of interest reasonably available, taking into account safety, liquidity and yield and uses recognized bank rating services as a basis for this determination. At year-end, the carrying amount of deposits totaled \$32,030,944 and the bank balance totaled \$32,642,900 of the bank balance, \$7,151,405 was covered by Federal Depository Insurance, \$9,438,192 was covered by Depositors Insurance Fund Insurance, \$8,749,282 was collateralized and \$7,304,021 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2016, the carrying amount of deposits for the System totaled \$840,446 and the bank balance of \$894,568 is 100% insured.

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 of \$621,460 in Federal Home Loan MTG Corp., \$99,627 in U.S. Treasury Notes, \$213,305 in corporate bonds, and \$2,290,658 in equity securities have a custodial credit risk exposure of \$2,290,658 because the related securities are uninsured, unregistered and held by the counterparty. The Town's policy for custodial credit risk is to invest its funds with companies that provide a proof of credit worthiness which includes a minimum of five years in operation and capital of \$10 million. At December 31, 2016 investments of \$115,173,268 in the PRIT Fund do not have any custodial credit risk associated with it.

Investments

The Town had the following investments, with their respective maturities, at June 30, 2017:

Investment Type	Maturity		
	Fair Value	Under 1 Year	1-5 Years
<u>Debt Securities</u>			
Federal Home Loan MTG Corp.....	\$ 621,460	\$ 399,096	\$ 222,364
US Treasury Notes.....	99,627	-	99,627
Corporate Bonds.....	213,305	30,018	183,287
Total Debt Securities.....	<u>934,392</u>	<u>429,114</u>	<u>505,278</u>
<u>Other investments:</u>			
Equity securities.....	2,290,658		
PRIT.....	746,456		
MMDT.....	1,653,776		
Money Market Mutual Funds.....	<u>6,770,072</u>		
Total other investments.....	<u>11,460,962</u>		
Total investments.....	12,395,354		
Less amounts classified as cash equivalents.....	<u>(8,423,848)</u>		
Total investments reported.....	\$ <u>3,971,506</u>		

Interest Rate Risk

The Town and the System uses PRIT guidelines as a means of managing its exposure to fair value losses arising from increasing interest rates. The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from 0.45 to 22.60 years.

Credit Risk

The Town uses PRIT guidelines as a means to manage credit risk. Standard and Poor's Investors Service rated the Town's investments of \$621,460 in Federal Home Loan MTG Corp AA+, and \$99,627 in U.S. Treasury Notes AAA, and the corporate bonds as follows:

Quality Ratings	Corporate Bonds
AA-.....	\$ 30,018
BBB+.....	64,748
BBB.....	24,941
BBB-.....	<u>93,598</u>
 Fair Value.....	 <u>\$ 213,305</u>

Concentration of Credit Risk

The Town uses PRIT guidelines in limiting the amount the Town may invest in any one issuer. More than 5% of the Town's investments are invested in the following:

Issuer	Of Total Investments
Equity Securities.....	18%
Money Market Mutual Funds.....	55%
MMDT.....	13%
Government Securities.....	6%

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.

Governmental Funds		Fair Value Measurements Using		
Investment by fair value level		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Type	6/30/17			
<b>Debt Securities:</b>				
Federal Home Loan MTG Corp.....	\$ 621,460	\$ 621,460	-	\$ -
US Treasury Notes.....	99,627	99,627	-	-
Corporate Bonds.....	213,305	-	213,305	-
Total debt securities.....	<u>934,392</u>	<u>721,087</u>	<u>213,305</u>	<u>-</u>
<b>Other investments:</b>				
Equity securities.....	2,290,658	2,290,658	-	-
Money Market Mutual Funds.....	6,770,072	6,770,072	-	-
Total other investments.....	<u>9,060,730</u>	<u>9,060,730</u>	<u>-</u>	<u>-</u>
<b>Investments measured at amortized cost</b>				
MMDT.....	<u>1,653,776</u>			
<b>Investments measured at the net asset value (NAV)</b>				
PRIT Investments.....	<u>746,456</u>			
Total investments.....	<u>\$ 12,395,354</u>	<u>\$ 9,781,817</u>	<u>\$ 213,305</u>	<u>\$ -</u>

**Retirement System** - Investments in PRIT of \$115,173,268 is measured at net asset value.

Government sponsored enterprises, equities and money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities 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.

**NOTE 3 - RECEIVABLES**

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Receivables:</b>			
Real estate and personal property taxes.....	\$ 1,027,433	\$ -	\$ 1,027,433
Tax liens and foreclosures.....	2,524,314	-	2,524,314
Motor vehicle and other excise taxes.....	504,454	(109,000)	395,454
Departmental and other.....	272,507	-	272,507
Intergovernmental.....	<u>711,848</u>	<u>-</u>	<u>711,848</u>
Total.....	<u>\$ 5,040,556</u>	<u>\$ (109,000)</u>	<u>\$ 4,931,556</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Receivables:</b>			
Water and sewer fees.....	\$ 3,393,071	\$ -	<u>\$ 3,393,071</u>

Governmental funds report *unavailable revenue* 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 *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Nonmajor Governmental Funds	Total
<b>Receivables and other asset types:</b>			
Real estate and personal property taxes.....	\$ 1,075,088	\$ -	<u>\$ 1,075,088</u>
Tax liens and foreclosures.....	2,524,314	-	<u>2,524,314</u>
Motor vehicle and other excise taxes.....	395,454	-	<u>395,454</u>
Departmental and other.....	-	272,507	<u>272,507</u>
Intergovernmental.....	-	619,668	<u>619,668</u>
 Total.....	 <u>\$ 3,994,856</u>	 <u>\$ 892,175</u>	 <u>\$ 4,887,031</u>

#### NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land.....	\$ 1,597,758	\$ -	\$ -	<u>\$ 1,597,758</u>
Construction in progress.....	1,068,775	2,714,294	-	<u>3,783,069</u>
 Total capital assets not being depreciated.....	 <u>2,666,533</u>	 <u>2,714,294</u>	 -	 <u>5,380,827</u>
<b>Capital assets being depreciated:</b>				
Land improvements.....	568,043	-	-	<u>568,043</u>
Buildings.....	175,809,326	-	-	<u>175,809,326</u>
Vehicles and equipment.....	15,967,218	1,442,029	(334,538)	<u>17,074,709</u>
Infrastructure.....	29,036,293	662,071	-	<u>29,698,364</u>
 Total capital assets being depreciated.....	 <u>221,380,880</u>	 <u>2,104,100</u>	 (334,538)	 <u>223,150,442</u>
<b>Less accumulated depreciation for:</b>				
Land improvements.....	(123,940)	(39,259)	-	<u>(163,199)</u>
Buildings.....	(50,630,810)	(4,189,275)	-	<u>(54,820,085)</u>
Vehicles and equipment.....	(11,251,811)	(1,035,835)	334,538	<u>(11,953,108)</u>
Infrastructure.....	(16,082,153)	(347,103)	-	<u>(16,429,256)</u>
 Total accumulated depreciation.....	 <u>(78,088,714)</u>	 <u>(5,611,472)</u>	 334,538	 <u>(83,365,648)</u>
 Total capital assets being depreciated, net.....	 <u>143,292,166</u>	 <u>(3,507,372)</u>	 -	 <u>139,784,794</u>
 Total governmental activities capital assets, net.....	 <u>\$ 145,958,699</u>	 <u>\$ (793,078)</u>	 \$ -	 <u>\$ 145,165,621</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 5,470,882	\$ 570,745	\$ (6,041,627)	\$ -
<u>Capital assets being depreciated:</u>				
Buildings.....	5,000	-	-	5,000
Vehicles and equipment.....	523,943	-	-	523,943
Infrastructure.....	28,265,817	6,404,830	-	34,670,647
Total capital assets being depreciated.....	28,794,760	6,404,830	-	35,199,590
<u>Less accumulated depreciation for:</u>				
Buildings.....	(1,937)	(125)	-	(2,062)
Vehicles and equipment.....	(366,821)	(35,383)	-	(402,204)
Infrastructure.....	(13,488,455)	(375,018)	-	(13,863,473)
Total accumulated depreciation.....	(13,857,213)	(410,526)	-	(14,267,739)
Total capital assets being depreciated, net.....	14,937,547	5,994,304	-	20,931,851
Total water enterprise capital assets, net.....	\$ 20,408,429	\$ 6,565,049	\$ (6,041,627)	\$ 20,931,851
 <b>Sewer Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 1,078,654	\$ -	\$ (77,828)	\$ 1,000,826
<u>Capital assets being depreciated:</u>				
Buildings.....	10,000	-	-	10,000
Vehicles and equipment.....	478,701	112,794	-	591,495
Infrastructure.....	20,132,722	980,546	-	21,113,268
Total capital assets being depreciated.....	20,621,423	1,093,340	-	21,714,763
<u>Less accumulated depreciation for:</u>				
Buildings.....	(10,000)	-	-	(10,000)
Vehicles and equipment.....	(252,605)	(61,623)	-	(314,228)
Infrastructure.....	(9,762,160)	(283,497)	-	(10,045,657)
Total accumulated depreciation.....	(10,024,765)	(345,120)	-	(10,369,885)
Total capital assets being depreciated, net.....	10,596,658	748,220	-	11,344,878
Total sewer enterprise capital assets, net.....	\$ 11,675,312	\$ 748,220	\$ (77,828)	\$ 12,345,704

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

**Governmental Activities:**

General government.....	\$ 121,431
Public safety.....	427,000
Education.....	4,160,418
Public works.....	526,437
Human services.....	27,275
Library.....	312,842
Culture and recreation.....	<u>36,069</u>

Total depreciation expense - governmental activities..... \$ 5,611,472

**Business-Type Activities:**

Water.....	\$ 410,526
Sewer.....	<u>345,120</u>

Total depreciation expense - business-type activities..... \$ 755,646

**NOTE 5 - INTERFUND TRANSFERS**

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

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Funds	Total
General fund.....	-	\$ 500,000	\$ 500,000 (1)
Nonmajor governmental funds.....	\$ 88,512	-	88,512 (1)
Water funds.....	485,000	-	485,000 (2)
Sewer funds.....	534,000	-	534,000 (2)
Storm Water.....	<u>75,000</u>		<u>75,000</u> (2)
Total.....	\$ 1,182,512	\$ 500,000	\$ 1,682,512

(1) Represents budgeted transfers between general fund, special revenue and permanent funds.

(2) Reimbursement of indirect expenditures paid by the general fund.

**NOTE 6 – CAPITAL LEASES**

The Town has entered various lease agreements to finance the acquisition vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The amount capitalized totaled \$308,183 and at year end had a book value, net of accumulated depreciation, of \$8,471.

The future minimum lease obligations and the net present value of these minimum lease payments at June 30, 2017, are as follows:

<u>Years Ending June 30</u>	<u>Governmental Activities</u>
2018.....	\$ 8,507
Less: amounts representing interest.....	<u>(471)</u>
Present value of minimum lease payments.....	<u>\$ 8,036</u>

#### NOTE 7 - SHORT-TERM FINANCING

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the General Fund. Details related to the short-term debt activity for the year ended June 30, 2017, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2016	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2017
<b>Governmental</b>							
BAN	Municipal Purpose.....	0.37	03/08/18	\$ _____ -	\$ 1,893,410	\$ _____ -	\$ 1,893,410
<b>Enterprise</b>							
BAN	Sewer.....	0.37	03/08/18	_____ -	95,000	_____ -	95,000
BAN	Water.....	0.37	03/08/18	_____ -	206,000	_____ -	206,000
BAN	Water.....	1.00	08/12/15	15,532	_____ -	15,532	_____ -
Total enterprise.....				15,532	301,000	15,532	301,000

**NOTE 8 - 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	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Municipal Purpose Bonds 2008.....	2028	8,978,577	2.00 - 4.24	\$ 5,112,546	\$ -	\$ 1,379,379	\$ 3,733,167
Municipal Purpose Bonds 2009.....	2029	12,419,455	3.90 - 4.00	7,815,000	-	7,815,000	-
Municipal Purpose Bonds 2012.....	2032	6,002,666	2.00 - 2.75	4,605,000	-	340,000	4,265,000
Municipal Purpose Bonds 2014.....	2029	4,403,182	2.00 - 5.00	3,463,000	-	458,000	3,005,000
Municipal Purpose Refunding Bonds 2014.....	2026	5,776,000	2.00 - 4.00	4,623,000	-	537,000	4,086,000
Municipal Purpose Refunding Bonds 2015.....	2025	4,780,000	2.00	4,245,000	-	530,000	3,715,000
Municipal Purpose Bonds 2016.....	2037	2,040,349	2.00 - 4.00	2,040,349	-	-	2,040,349
Municipal Purpose Bonds 2017.....	2028	865,000	2.00 - 4.00	-	865,000	-	865,000
Municipal Purpose Refunding Bonds 2017.....	2029	6,875,000	2.50 - 4.00	-	6,875,000	-	6,875,000
				31,903,895	7,740,000	11,059,379	28,584,516
Add: unamortized premium.....				125,065	299,336	22,739	401,662
Total Governmental Bonds Payable.....				\$ 32,028,960	\$ 8,039,336	\$ 11,082,118	\$ 28,986,178

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

Year	Principal	Interest	Total
2018.....	\$ 3,155,728	\$ 1,050,530	\$ 4,206,258
2019.....	3,041,379	991,306	4,032,685
2020.....	2,918,379	878,256	3,796,635
2021.....	2,778,379	745,770	3,524,149
2022.....	2,645,379	660,557	3,305,936
2023 - 2027.....	11,133,895	1,800,039	12,933,934
2028 - 2032.....	2,711,377	206,452	2,917,829
2033 - 2037.....	200,000	8,600	208,600
Total.....	\$ 28,584,516	\$ 6,341,510	\$ 34,926,026

### Bonds and Notes Payable Schedule – Enterprise Fund

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

Issue	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
MCWT Bonds 1997.....	2017	494,304	0.00	\$ 34,665	\$ -	\$ 34,665	\$ -
MCWT Bonds 2002.....	2021	63,451	0.00	16,926	-	3,363	13,563
MCWT Bonds 2003.....	2023	262,060	0.00	98,382	-	14,054	84,328
MWRA Notes 2007.....	2017	677,180	0.00	67,718	-	67,718	-
MWRA Notes 2009.....	2019	529,600	0.00	158,880	-	52,960	105,920
MWRA Notes 2009.....	2019	1,023,634	0.00	224,593	-	74,863	149,730
MWRA Notes 2010.....	2020	753,306	0.00	301,321	-	75,331	225,990
MWRA Notes 2013.....	2023	850,000	0.00	595,000	-	85,000	510,000
Municipal Purpose Bonds 2014.....	2029	138,657	2.75 - 5.00	112,000	-	12,000	100,000
Municipal Purpose Refunding Bonds 2014.....	2026	484,000	2.00 - 4.00	397,000	-	43,000	354,000
Municipal Purpose Bonds 2016.....	2037	5,753,065	2.00 - 4.00	5,753,065	-	-	5,753,065
MWRA Notes 2016.....	2021	266,750	0.00	266,750	-	53,350	213,400
MWRA Notes 2016.....	2026	1,150,000	0.00	1,150,000	-	115,000	1,035,000
	Total.....			\$ 9,176,300	\$ -	\$ 631,304	\$ 8,544,996
Sewer.....				\$ 1,079,453	\$ -	\$ 157,432	\$ 922,021
Water.....				8,097,076	-	473,872	7,623,204
	Total.....			\$ 9,176,529	\$ -	\$ 631,304	\$ 8,545,225

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

Year	Principal	Interest	Total
2018.....	\$ 951,214	\$ 157,037	\$ 1,108,251
2019.....	916,924	143,297	1,060,221
2020.....	782,176	129,757	911,933
2021.....	666,799	116,737	783,536
2022.....	573,054	101,427	674,481
2023 - 2027.....	2,147,058	336,365	2,483,423
2028 - 2032.....	1,258,000	181,638	1,439,638
2033 - 2037.....	1,250,000	53,750	1,303,750
	Total.....	\$ 8,545,225	\$ 1,220,008
			\$ 9,765,233

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan. The loan portion is payable in five equal annual installments. At June 30, 2017, the outstanding principal amount of these loans totaled \$2,240,040.

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of approximately \$24,000 and interest costs for \$8,000. Thus, net MCWT loan repayments, including interest, are scheduled to be \$63,000. 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 year 2017 principal and interest subsidies totaled approximately \$14,000 and \$4,300, respectively.

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
Sewer capital needs.....	\$ 28,000
Town handicap accessible improvements.....	25,000
Various capital.....	150,000
Water meter replacement.....	519,903
Sewer meter replacement.....	518,500
Water rehab (MWRA).....	1,500,000
Sewer capital needs.....	218,250
Surface drains.....	400,000
Various capital.....	345,000
Sewer.....	485,000
Town security camera upgrades.....	30,000
Town EMS control upgrades.....	55,000
Town paving/curb repairs.....	30,000
Town security cameras.....	55,000
Town boiler system zone valve upgrade.....	60,000
Town new genie lift.....	27,000
Town voting machines.....	61,000
Tech server hardware replacement.....	17,500
Fire communication equipment.....	60,000
Parks: refurbish kelly field tennis courts.....	215,000
Police radio replacement phase 1.....	130,601
School ups back in wiring closet.....	33,968
School virtualize servers/upgrade.....	42,000
Roadway Ch.90.....	1,246,211
Cemetery utility tractor.....	55,000
DPW H/S signal accomodation.....	55,000
DPW H/S signal & ramp ADA study.....	25,000
DPW dump truck.....	369,000
DPW 3/4 ton utility truck.....	40,000
DPW dump truck with sander & plow.....	356,000
DPW fixed base generator.....	60,000
DPW convert sander/plow.....	75,000
DPW roadway construction.....	1,000,000
DPW fuel station phase 1.....	50,000
School security cameras and upgrades.....	125,000
School HVAC upgrade.....	45,000
School asphalt/concrete curb repair.....	100,000
School science wing roof repair.....	170,000
Water enterprise dump truck.....	362,000
Water bonds.....	500,000
Sewer trailerable air compressor.....	18,000
Sewer enterprise dump truck.....	115,000
Sewer enterprise mech rodding.....	18,000
Sewer system (MWRA).....	914,000
Stormwater drains.....	1,100,000
Sewer bonds.....	<u>914,000</u>
 Total.....	 <u>\$ 12,718,933</u>

In order to take advantage of favorable interest rates, the Town issued \$6,875,000 of General Obligation Refunding Bonds on March 30, 2017. The proceeds of the refunding bond were used to complete a current refunding of existing debt. The refunded bonds totaled \$7,123,000 and were called on March 30, 2017. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction reduced total debt service payments over the next 13 years by \$886,932 and resulted in an economic gain of \$776,074.

### Changes in Long-term Liabilities

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

<b>Governmental Activities:</b>	Balance at June 30, 2016	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Net Increase (Decrease)	Balance at June 30, 2017	Current Portion
Long-term bonds payable.....	31,903,895	7,740,000	(11,059,379)	-	28,584,516	3,155,728
Add: unamortized premium.....	125,065	299,336	(22,739)	-	401,662	61,653
<b>Total bonds payable.....</b>	<b>32,028,960</b>	<b>8,039,336</b>	<b>(11,082,118)</b>	<b>-</b>	<b>28,986,178</b>	<b>3,217,381</b>
Capital leases.....	15,627	-	-	(7,171)	8,036	8,036
Compensated absences.....	2,212,507	-	-	-	2,294,167	458,833
Workers compensation.....	751,379	-	-	(578,515)	172,864	34,573
Other postemployment benefits.....	51,081,702	-	-	7,282,687	58,364,389	-
Net pension liability.....	31,299,232	-	-	(1,128,232)	30,171,000	-
<b>Total.....</b>	<b>\$ 117,389,407</b>	<b>\$ 8,039,336</b>	<b>\$ (11,082,118)</b>	<b>\$ 5,568,769</b>	<b>\$ 119,996,634</b>	<b>\$ 3,718,823</b>
<b>Business Type Activities:</b>	Balance at June 30, 2016	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Net Increase (Decrease)	Balance at June 30, 2017	Current Portion
Long-term bonds payable.....	\$ 9,176,300	\$ -	\$ (631,304)	\$ -	\$ 8,544,996	\$ 951,214
Compensated absences.....	98,642	-	-	-	98,642	100,781
Other postemployment benefits.....	813,923	-	-	262,086	1,076,009	-
Net pension liability.....	1,480,459	-	-	(47,459)	1,433,000	-
<b>Total.....</b>	<b>\$ 11,569,324</b>	<b>\$ -</b>	<b>\$ (631,304)</b>	<b>\$ 214,627</b>	<b>\$ 11,152,647</b>	<b>\$ 1,051,995</b>

### **NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* is intended to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classification and the constraints imposed on the uses of those resources. The GASB provides for two major types of fund balance, 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 portion of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- 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.

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

	General	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 2,615,136	\$ 2,615,136
Restricted for:				
Town capital projects.....		\$ 1,554,268	\$ -	\$ 1,554,268
Other special revenue.....		\$ -	\$ 2,210	\$ 2,210
School gifts and grants.....		\$ -	\$ 44,175	\$ 44,175
School lunch.....		\$ -	\$ 803,204	\$ 803,204
School revolving.....		\$ -	\$ 2,500,938	\$ 2,500,938
Town gifts and grants.....		\$ -	\$ 1,094,979	\$ 1,094,979
Student activity.....		\$ -	\$ 82,245	\$ 82,245
Town revolving.....		\$ -	\$ 726,931	\$ 726,931
Permanent funds.....		\$ -	\$ 4,085,748	\$ 4,085,748
Assigned to:				
General government.....	\$ 292,705	\$ -	\$ -	\$ 292,705
Public safety.....	\$ 266,958	\$ -	\$ -	\$ 266,958
Public works.....	\$ 128,368	\$ -	\$ -	\$ 128,368
Human services.....	\$ 627	\$ -	\$ -	\$ 627
FY2017 operating budget.....	\$ 2,077,964	\$ -	\$ -	\$ 2,077,964
Unassigned.....	\$ 8,535,294	\$ -	\$ (376,787)	\$ 8,158,507
<b>TOTAL FUND BALANCES.....</b>	<b>\$ 11,301,916</b>	<b>\$ 1,554,268</b>	<b>\$ 11,578,779</b>	<b>\$ 24,434,963</b>

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 balances of the General Stabilization and Capital Stabilization was \$3.8 million, and \$783,000, respectively. All are reported as unassigned fund balance within the General Fund.

## NOTE 10 - 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. The Town participates in a premium-based health care plan for its active employees.

**NOTE 11 - PENSION PLAN*****General Information about the Pension Plan******Plan Descriptions***

The Town is a member of the Milton Contributory Retirement System (MCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the two member units. The MCRS is administered by a 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 MCRS is a component unit and is reported as a pension trust fund in the fiduciary fund financial statements.

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 \$10,229,382 is reported in the general fund as intergovernmental revenue and pension benefits in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$100,281,611 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 Systems provide 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.

There were no changes of benefit term that affected the total pension liability at December 31, 2016.

At December 31, 2016, the MCRS's membership consists of the following:

Active members.....	361
Inactive members.....	90
Retirees and beneficiaries currently receiving benefits.....	<u>268</u>
Total.....	<u>719</u>

#### *Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute 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 total member units' contribution for the year ended December 31, 2016, was \$5,599,000, 26.60% 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. The Town's proportionate share of the required contribution was \$5,575,000, which equaled its actual contribution.

#### *Pension Liabilities*

The components of the net pension liability of the participating member units at June 30, 2017 were as follows:

Total pension liability.....	\$ 147,782,000
The pension plan's fiduciary net position.....	<u>(116,038,000)</u>
The net pension liability.....	<u>\$ 31,744,000</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....	78.52%

At June 30, 2017, the Town reported a liability of \$31,604,000 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, 2015. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2016, the Town's proportion was 99.56%, which increased from its proportion measured at December 31, 2015 of 99.52%.

*Pension Expense*

For the year ended June 30, 2017, the Town recognized negative pension expense of \$6,830,000. At June 30, 2017, the Town reported deferred outflows of resources related to pensions of \$6,830,000, from the net difference between projected and actual investment earnings on pension plan investments and changes in plan assumptions. The notes to required supplementary information explain these changes in detail.

The balance of deferred outflows and inflows at June 30, 2017 consisted of the following:

Deferred category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 59,736	\$ -	\$ 59,736
Difference between projected and actual earnings.....	4,513,055	-	4,513,055
Changes of assumptions.....	<u>2,257,209</u>	-	<u>2,257,209</u>
<b>Total Deferred Outflows/(Inflows) of Resources.....</b>	<b>\$ 6,830,000</b>	<b>\$ -</b>	<b>\$ 6,830,000</b>

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

Year ended June 30:

2017.....	\$ 2,118,000
2018.....	2,118,000
2019.....	2,064,000
2020.....	535,000
2021.....	<u>(5,000)</u>
<b>Total.....</b>	<b>\$ 6,830,000</b>

*Actuarial Assumptions*

The total pension liability in the January 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2016:

Valuation date..... January 1, 2015. Actuarial liabilities were rolled forward to the December 31, 2016 measurement date.

Actuarial cost method..... Entry Age Normal Cost Method.

Amortization method..... Total appropriation increases 6.0% per year until 2024 with a final amortization payment in 2025.

Remaining amortization period..... 8 years from July 1, 2017

Asset valuation method..... Market value for GASB 67/68. For funding purposes, gains and losses each year are recognized over 5 years.

Inflation rate..... Not explicitly assumed

Projected salary increases..... Select and ultimate by job group; ultimate rates 4.25% for Group 1, 4.75% for Group 4.

Cost of living adjustments..... 3.0% of the first \$15,000

## Mortality Rates:

Pre-Retirement..... The RP-2000 Employee Mortality Table projected generationally with a Scale BB and a base year of 2009 (gender distinct).

Healthy Retiree..... The RP-2000 Healthy Annuitant Mortality Table projected generationally with a Scale BB and a base year of 2009 (gender distinct).

Disabled Retiree..... The RP-2000 Healthy Annuitant Mortality Table projected generationally with a Scale BB and a base year of 2012 (gender distinct).

Investment rate of return/Discount rate.... 7.75%, net of pension plan investment expense, including inflation

*Investment policy*

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. 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 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, 2015, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Large Cap Equities.....	7.50%	14.50%
Small/Mid Cap Equities.....	7.75%	3.50%
International Equities (Unhedged).....	7.83%	16.00%
Emerging International Equities.....	9.61%	6.00%
Core Bonds.....	3.75%	10.00%
TIPS.....	3.75%	3.00%
High-Yield/Bank Loans.....	7.26%	3.00%
Emerging Markets (external).....	7.26%	1.00%
Emerging Markets (local currency).....	7.26%	2.00%
Private Debt.....	7.26%	4.00%
Private Equity.....	9.50%	10.00%
Real Estate.....	6.50%	10.00%
Timber/Natural Resources.....	6.00%	4.00%
Hedge Funds.....	6.48%	9.00%
Portfolio Completion.....	6.48%	4.00%
		<hr/>
		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 8.12%. 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 rated. 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 following 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:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
The Town's proportionate share of the net pension liability.....	\$ 48,697,000	\$ 31,744,000	\$ 17,403,000

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The Town of Milton administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare 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* – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 70% percent of the general government's and 95% of the school's cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 30 or 5 percent of their premium costs. During 2017, the Town contributed approximately \$3.1 million to the plan.

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 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 and Executive Director, outside investment managers, custodians, consultants, and other as it deems necessary to formulate policies and procedures and to take such other action as necessary and appropriate to manage the assets of the PRIT Fund.

During 2017, the Town pre-funded future OPEB liabilities totaling approximately \$158,276 by contributing funds to the Other Postemployment Benefit Funds 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 \$757,564.

*Plan Membership* – The following table represent the Plan's membership at June 30, 2017

Active members.....	576
Inactive members currently receiving benefits.....	<u>772</u>
Total.....	<u>1,348</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.....	\$ 132,324,671
Less: Plan fiduciary net position.....	<u>(752,564)</u>
Net OPEB liability.....	\$ <u>131,572,107</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	0.57%

*Significant Actuarial Methods and Assumptions* – The Plan's total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation Date.....	June 30, 2017
Actuarial Cost Method.....	Individual Entry Age Normal
Asset-Valuation Method.....	Market Value of assets as of the reporting date, June 30, 2017
Salary Increases.....	Select and ultimate by job group; ultimate rates 4.25% for Group 1 and 4.75% for Group 4
Investment Rate of Return.....	7.04% net of OPEB plan investment expense, including inflation
Municipal Bond Index Rate.....	3.13% as of june 30, 2017
Single Equivalent Discount Rate.....	3.5% net of OPEB plan investment expense, including inflation
Inflation.....	2.75% as of june 30, 2017 and for future periods
Salary Increases.....	3% annually as of June 30, 2017 and for future periods
Cost of living adjustment.....	Not applicable
Amortization period.....	8 years from July 1, 107. Total payments increase 6.0% per year until FY24 with a final amortization payment in FY25

Mortality..... Pre-retirement rates reflect the RP-2000 Employees Mortality Table projected generationally with Scale BB and a base year of 2009 for males and females  
 Post-retirement rates reflect the RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year of 2012 for males and females.  
 For disabled retirees, the rates reflect the RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2012 for males and females.

*Investment policy*

The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The District's expected future real rate of return of 4.79% is added to the expected inflation of 2.75% to produce the long-term expected nominal rate of return of 7.54%. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017 are summarized in the following table.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity - Large Cap.....	14.50%	4.00%
Domestic Equity - Small/Mid Cap.....	3.50%	6.00%
International Equity - Developed Market.....	16.00%	4.50%
International Equity - Emerging Market.....	6.00%	7.00%
Domestic Fixed Income.....	20.00%	2.00%
International Fixed Income.....	3.00%	3.00%
Alternatives.....	23.00%	6.50%
Real Estate.....	14.00%	6.25%
Cash.....	0.00%	0.00%
 Total Asset Allocation.....	 <u>100.00%</u>	

*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 3.5%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1–percentage-point lower (2.5%) or 1–percentage-point higher (4.5%) than the current rate.

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB Liability.....	\$ 161,560,310	\$ 132,324,671	\$ 110,670,364
Less: Plan fiduciary net position.....	<u>(752,564)</u>	<u>(752,564)</u>	<u>(752,564)</u>
 Net OPEB liability.....	 <u>\$ 160,807,746</u>	 <u>\$ 131,572,107</u>	 <u>\$ 109,917,800</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 (4.0%) or 1-percentage-point higher (6.0%) than the current rate.

	1% Decrease (4.0%)	Current Trend (5.0%)	1% Increase (6.0%)
Total OPEB Liability.....	\$ 102,915,428	\$ 132,324,671	\$ 169,873,553
Less: Plan fiduciary net position.....	<u>(752,564)</u>	<u>(752,564)</u>	<u>(752,564)</u>
Net OPEB liability.....	<u>\$ 102,162,864</u>	<u>\$ 131,572,107</u>	<u>\$ 169,120,989</u>

*Annual OPEB Cost and Net OPEB Obligation* — The Town's annual other postemployment benefit (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.....	\$ 11,003,444
Interest on net OPEB obligation.....	2,075,828
Adjustment to annual required contribution.....	<u>(2,424,604)</u>
Annual OPEB cost (expense).....	10,654,668
Contributions made.....	<u>(3,109,895)</u>
Increase in net OPEB obligation.....	7,544,773
Net OPEB obligation--beginning of year.....	<u>51,895,625</u>
Net OPEB obligation--end of year.....	<u>\$ 59,440,398</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for year 2017 was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 10,654,668	29%	\$ 59,440,398
6/30/2016	9,427,075	33%	51,895,625
6/30/2015	8,898,171	33%	45,607,007

*Funded Status and Funding Progress* — As of June 30, 2017, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$132,324,671, of which \$757,564 was funded. The covered payroll (annual payroll of active employees covered by the plan) was \$57,402,583 and the ratio of the UAAL to the covered payroll was 230.5%.

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 July 1, 2016, actuarial valuation, actuarial liabilities were determined using the Individual Entry Age Normal method. The actuarial assumptions included a 3.5% 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/drug cost trend rate of 2.75%. The UAAL is being amortized over a 30 year period.

#### NOTE 13 - COMMITMENTS

The Town is committed to expend \$12,718,933 for the various projects listed below.

Purpose	Amount
Sewer capital needs.....	\$ 28,000
Town handicap accessible improvements.....	25,000
Various capital.....	150,000
Water meter replacement.....	519,903
Sewer meter replacement.....	518,500
Water rehab (MWRA).....	1,500,000
Sewer capital needs.....	218,250
Surface drains.....	400,000
Various capital.....	345,000
Sewer.....	485,000
Town security camera upgrades.....	30,000
Town EMS control upgrades.....	55,000
Town paving/curb repairs.....	30,000
Town security cameras.....	55,000
Town boiler system zone valve upgrade.....	60,000
Town new genie lift.....	27,000
Town voting machines.....	61,000
Tech server hardware replacement.....	17,500
Fire communication equipment.....	60,000
Parks: refurbish kelly field tennis courts.....	215,000
Police radio replacement phase 1.....	130,601
School ups back in wiring closet.....	33,968
School virtualize servers/upgrade.....	42,000
Roadway Ch.90.....	1,246,211

Purpose	Amount
Cemetery utility tractor.....	55,000
DPW H/S signal accomodation.....	55,000
DPW H/S signal & ramp ADA study.....	25,000
DPW dump truck.....	369,000
DPW 3/4 ton utility truck.....	40,000
DPW dump truck with sander & plow.....	356,000
DPW fixed base generator.....	60,000
DPW convert sander/plow.....	75,000
DPW roadway construction.....	1,000,000
DPW fuel station phase 1.....	50,000
School security cameras and upgrades.....	125,000
School HVAC upgrade.....	45,000
School asphalt/concrete curb repair.....	100,000
School science wing roof repair.....	170,000
Water enterprise dump truck.....	362,000
Water bonds.....	500,000
Sewer trailerable air compressor.....	18,000
Sewer enterprise dump truck.....	115,000
Sewer enterprise mech rodding.....	18,000
Sewer system (MWRA).....	914,000
Stormwater drains.....	1,100,000
Sewer bonds.....	914,000
 Total.....	 <u>\$ 12,718,933</u>

#### **NOTE 14 - CONTINGENCIES**

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

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

#### **NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 26, 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 updated to be in compliance with this pronouncement.
- GASB Statement #77, *Tax Abatement Disclosures*. This pronouncement did not impact the basic financial statements.
- GASB Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This pronouncement did not impact the basic financial statements.
- GASB Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*. This pronouncement did not impact the basic financial statements.
- GASB Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in 2018.
- The GASB issued Statement #86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

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

## ***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.

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

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts				
	Amounts				
	Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget	
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 73,347,540	\$ 73,347,540	\$ 73,347,540	
Motor vehicle and other excise taxes.....	-	3,558,082	3,558,082	3,558,082	
Penalties and interest on taxes.....	-	500,000	500,000	500,000	
Payments in lieu of taxes.....	-	105,000	105,000	105,000	
Intergovernmental.....	-	10,370,524	10,370,524	10,370,524	
Departmental and other.....	-	3,033,000	3,033,000	3,033,000	
Investment income.....	-	30,000	30,000	30,000	
Miscellaneous.....	-	-	-	-	
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>90,944,146</b>	<b>90,944,146</b>	<b>90,944,146</b>	
<b>EXPENDITURES:</b>					
Current:					
General government.....	381,729	5,126,365	5,508,094	5,544,438	
Public safety.....	3,000	12,834,315	12,837,315	12,837,316	
Education.....	7,000	45,016,284	45,023,284	45,023,284	
Public works.....	217,072	4,690,773	4,907,845	4,924,354	
Human services.....	-	600,894	600,894	600,895	
Library.....	13,018	1,382,149	1,395,167	1,395,167	
Culture and recreation.....	-	469,570	469,570	469,571	
Pension benefits.....	-	5,574,867	5,574,867	5,574,867	
Employee benefits.....	-	10,634,759	10,634,759	10,581,908	
State and county charges.....	-	3,306,605	3,306,605	3,306,605	
Debt service:					
Principal.....	-	2,979,379	2,979,379	2,979,379	
Interest.....	-	957,145	957,145	957,145	
<b>TOTAL EXPENDITURES.....</b>	<b>621,819</b>	<b>93,573,105</b>	<b>94,194,924</b>	<b>94,194,929</b>	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>					
	<b>(621,819)</b>	<b>(2,628,959)</b>	<b>(3,250,778)</b>	<b>(3,250,783)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>					
Premium from issuance of bonds.....	-	-	-	-	
Transfers in.....	-	1,095,400	1,095,400	1,095,400	
Transfers out.....	-	(835,618)	(835,618)	(835,618)	
<b>TOTAL OTHER FINANCING SOURCES (USES)....</b>	<b>-</b>	<b>259,782</b>	<b>259,782</b>	<b>259,782</b>	
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(621,819)</b>	<b>(2,369,177)</b>	<b>(2,990,996)</b>	<b>(2,991,001)</b>	
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>6,388,598</b>	<b>6,388,598</b>	<b>6,388,598</b>	<b>6,388,598</b>	
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 5,766,779</b>	<b>\$ 4,019,421</b>	<b>\$ 3,397,602</b>	<b>\$ 3,397,597</b>	

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$ 73,566,821	\$ -	\$ 219,281
4,190,008	-	631,926
339,612	-	(160,388)
103,276	-	(1,724)
10,601,299	-	230,775
3,468,004	-	435,004
92,337	-	62,337
28,789	-	28,789
<hr/> 92,390,146	<hr/> -	<hr/> 1,446,000
5,146,692	275,705	122,041
12,450,281	283,958	103,077
45,015,621	-	7,663
4,794,810	128,368	1,176
545,950	627	54,318
1,371,311	-	23,856
468,389	-	1,182
5,574,867	-	-
10,548,063	-	33,845
3,341,399	-	(34,794)
<hr/> 2,979,379	<hr/> -	<hr/> -
<hr/> 927,231	<hr/> -	<hr/> 29,914
<hr/> 93,163,993	<hr/> 688,658	<hr/> 342,278
<hr/> (773,847)	<hr/> (688,658)	<hr/> 1,788,278
299,336	-	299,336
1,095,400	-	-
<hr/> (835,618)	<hr/> -	<hr/> -
<hr/> 559,118	<hr/> -	<hr/> 299,336
(214,729)	(688,658)	2,087,614
<hr/> 6,388,598	<hr/> -	<hr/> -
\$ <hr/> 6,173,869	\$ <hr/> (688,658)	\$ <hr/> 2,087,614

# ***Pension Plan Schedules Retirement System***

The Pension Plan's Schedule of Changes in the Net Pension Liability presents multi-year trend information on the net pension liability and related ratios.

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

The Pension Plan's Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on retirement assets, net of investment expense.

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 CHANGES IN THE NET PENSION LIABILITY  
AND RELATED RATIOS**

	December 31, 2014	December 31, 2015	December 31, 2016
<b>Total pension liability:</b>			
Service cost.....	\$ 2,946,000	\$ 3,175,000	\$ 3,318,000
Interest.....	9,777,000	10,199,000	10,922,000
Changes in benefit terms.....	-	-	-
Differences between expected and actual experience.....	-	95,000	-
Changes in assumptions.....	-	3,600,000	-
Benefit payments, including refunds of employee contributions.....	<u>(7,385,000)</u>	<u>(7,633,000)</u>	<u>(8,139,000)</u>
Net change in total pension liability.....	5,338,000	9,436,000	6,101,000
Total pension liability, beginning.....	<u>126,907,000</u>	<u>132,245,000</u>	<u>141,681,000</u>
Total pension liability, ending (a).....	<u>\$ 132,245,000</u>	<u>\$ 141,681,000</u>	<u>\$ 147,782,000</u>
<b>Plan fiduciary net position:</b>			
Member contributions.....	\$ 2,130,911	\$ 1,941,596	1,884,792
Employer contributions.....	5,009,570	5,282,025	5,599,000
Net investment income (loss).....	7,564,887	714,363	8,051,000
Retirement benefits and refunds.....	(7,385,000)	(7,633,000)	(8,139,000)
Administrative expenses.....	(153,933)	(171,112)	(195,000)
Other receipts.....	56,988	91,474	94,000
Net increase (decrease) in fiduciary net position.....	7,223,423	225,346	7,294,792
Fiduciary net position at beginning of year.....	<u>101,294,439</u>	<u>108,517,862</u>	<u>108,743,208</u>
Fiduciary net position at end of year (b).....	<u>\$ 108,517,862</u>	<u>\$ 108,743,208</u>	<u>\$ 116,038,000</u>
<b>Net pension liability - ending (a) - (b).....</b>	<b><u>\$ 23,727,138</u></b>	<b><u>\$ 32,937,792</u></b>	<b><u>\$ 31,744,000</u></b>
Plan fiduciary net position as a percentage of the total pension liability.....	82.06%	76.75%	78.52%
Covered-employee payroll.....	\$ 19,176,000	\$ 21,049,000	21,049,000
Net pension liability as a percentage of covered-employee payroll.....	123.73%	156.48%	150.81%

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 CONTRIBUTIONS**

	December 31, 2014	December 31, 2015	December 31, 2016
Actuarially determined contribution.....	\$ 5,009,570	\$ 5,282,025	\$ 5,599,000
Contributions in relation to the actuarially determined contribution.....	<u>(5,009,570)</u>	<u>(5,282,025)</u>	<u>(5,599,000)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 19,176,000	\$ 21,049,000	\$ 21,049,000
Contributions as a percentage of covered-employee payroll.....	26.12%	25.09%	26.60%

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

	December 31, 2014	December 31, 2015	December 31, 2016
Annual money-weighted rate of return, net of investment expense.....	7.65%	0.67%	7.12%

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.

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

See notes to required supplementary information.

# **Pension Plan Schedules**

## **Town**

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

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

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

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

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
MILTON RETIREMENT ASSOCIATION**

	December 31, 2014	December 31, 2015	December 31, 2016
Town's proportion of the net pension liability (asset).....	99.49%	99.52%	99.56%
Town's proportionate share of the net pension liability (asset)..... \$	23,606,747	\$ 32,779,691	\$ 31,604,000
Town's covered employee payroll..... \$	19,176,000	\$ 21,049,000	\$ 21,049,000
Net pension liability as a percentage of covered-employee payroll.....	123.11%	155.73%	150.14%
Plan fiduciary net position as a percentage of the total pension liability.....	82.06%	76.75%	78.52%

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

See notes to required supplementary information.

**SCHEDULE OF TOWN'S CONTRIBUTIONS**  
**MILTON CONTRIBUTORY RETIREMENT SYSTEM**

	June 30, 2014	June 30, 2015	June 30, 2016
Actuarially determined contribution.....	\$ 4,984,000	\$ 5,282,000	\$ 5,599,000
Contributions in relation to the actuarially determined contribution.....	<u>(4,984,000)</u>	<u>(5,282,000)</u>	<u>(5,599,000)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 19,176,000	\$ 21,049,000	\$ 21,049,000
Contributions as a percentage of covered-employee payroll.....	25.99%	25.09%	26.60%

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**

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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.

<b>Fiscal Year</b>	<b>Commonwealth's 100% Share of the Net Pension Liability Associated with the Town</b>	<b>Town's Expense and Revenue Recognized for the Commonwealth's Support</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Liability</b>
2017.....	\$ 100,281,611	\$ 10,229,382	52.73%
2016.....	93,204,677	7,559,729	55.38%
2015.....	69,895,000	4,855,948	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, over time, the ratio of the actual annual employer contributions to the annual required contribution.

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**

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June 30, 2017

**Total OPEB Liability**

Service Cost.....	\$ 4,650,097
Interest.....	4,525,168
Changes of benefit terms.....	-
Differences between expected and actual experience.....	-
Changes of assumptions.....	-
Benefit payments.....	<u>(2,956,619)</u>
Net change in total OPEB liability.....	6,218,646
Total OPEB liability- beginning.....	<u>126,106,025</u>
Total OPEB liability- ending (a).....	<u>132,324,671</u>

**Plan fiduciary net position**

Contributions- employer .....	\$ 153,276
Net investment income.....	66,426
Benefit payments.....	-
Net change in plan fiduciary net position.....	<u>219,702</u>
Plan fiduciary net position- beginning.....	<u>532,862</u>
Plan fiduciary net position- ending (b).....	<u>\$ 752,564</u>
<b>Town's net OPEB liability- ending (a)-(b).....</b>	<b><u>\$ 131,572,107</u></b>

Plan fiduciary net position as a percentage of the  
total OPEB liability..... 0.57%

Covered-employee payroll..... 57,672,411

Town's net OPEB liability as a percentage of  
covered-employee payroll..... 228.14%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years  
for which information is available.

See notes to required supplementary information.

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

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June 30, 2017

Actuarially determined contribution.....	\$ 3,109,985
Contributions in relation to the actuarially determined contribution.....	<u>(3,109,985)</u>
Contribution deficiency (excess).....	<u>\$ -</u>
Covered-employee payroll.....	\$ 57,672,411
Contributions as a percentage of covered-employee payroll.....	5.39%

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**

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June 30, 2017

Annual money-weighted rate of return, net of investment expense.....	8.12%
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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**

JUNE 30, 2017

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)
6/30/2017	\$ 752,564	\$ 132,324,671	\$ 131,572,107	0.57%	\$ 57,672,411	228.1%
7/1/2014	-	95,525,098	95,525,098	0.00%	53,849,910	177.4%
7/1/2012	-	92,834,795	92,834,795	0.00%	41,373,203	224.4%
7/1/2010	-	107,528,122	107,528,122	0.00%	42,214,723	254.7%
7/1/2008	-	126,940,430	126,940,430	0.00%	40,180,581	315.9%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution (ARC)	Actual Contributions Made	Percentage of the ARC Contributed
2017	\$ 11,003,444	\$ 3,109,895	28%
2016	10,721,982	3,138,457	29%
2015	10,430,600	2,960,122	28%
2014	10,751,909	3,468,752	32%
2013	10,569,089	3,283,253	31%
2012	10,126,607	3,995,331	39%

The Town implemented GASB Statement No. 45 for the year ended June 30, 2009.  
Information for prior years is not available.

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

YEAR ENDED JUNE 30, 2017

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Valuation Date.....	June 30, 2017
Actuarial Cost Method.....	Individual Entry Age Normal
Asset-Valuation Method.....	Market Value of assets as of the reporting date, June 30, 2017
Investment Rate of Return.....	7.04% net of OPEB plan investment expense, including inflation
Municipal Bond Index Rate.....	3.13% as of june 30, 2017
Single Equivalent Discount Rate.....	3.5% net of OPEB plan investment expense, including inflation
Inflation.....	2.75% as of june 30, 2017 and for future periods
Salary Increases.....	3% annually as of June 30, 2017 and for future periods
Cost of living adjustment.....	Not applicable
Amortization period.....	8 years from July 1, 2017. Total payments increase 6% per year until FY24 with a final amortization payment in FY25.
Mortality.....	Pre-retirement rates reflect the RP-2000 Employees Mortality Table projected generationally with Scale BB and a base year of 2009 for males and females Post-retirement rates reflect the RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year of 2012 for males and females. For disabled retirees, the rates reflect the RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2012 for males and females.

Plan Membership:

Active members.....	772
Inactive members currently receiving benefits.....	<u>576</u>
Total.....	<u>1348</u>

See notes to required supplementary information.

## NOTE A - BUDGETARY BASIS OF ACCOUNTING

### 1. Budgetary Information

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

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

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

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the 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 of the Representatives.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original year 2017 approved budget authorized approximately \$91.6 million in appropriations and other amounts to be raised. Included in this amount were carry forwards from prior years and continuing appropriations. During year 2017, Town Meeting voted to decrease the budget approximately \$500,000. The Town Accountant'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 presented below:

Net change in fund balance - budgetary basis.....	\$ (214,729)
<u>Perspective difference:</u>	
Activity of the stabilization funds recorded in the general fund for GAAP.....	366,207
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	9,200
Tax refunds payable.....	438,000
Net change in expenditure accruals.....	4,200
Recognition of revenue for on-behalf payments.....	10,229,382
Recognition of expenditures for on-behalf payments.....	<u>(10,229,382)</u>
Net change in fund balance - GAAP basis.....	\$ <u>602,878</u>

**NOTE B – PENSION PLAN*****Pension Plan Schedules – Retirement System*****A. Schedule of Changes in the Net Pension Liability and Related Ratios**

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the systems total pension liability, changes in the systems net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

Since the retirement system performs an actuarial valuation bi-annually, there are no reported amounts for the changes in benefit terms, differences between expected and actual experience and changes in assumptions as of December 31, 2015.

**B. Schedule of Contributions**

Governmental employers are required to pay an annual appropriation as established by PERAC. The total 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. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". The pension fund appropriations are allocated amongst employers based on covered payroll.

**C. Schedule of Investment Return**

The money weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly.

***Pension Plan Schedules - Town*****A. Schedule of the Town's Proportionate Share of the Net Pension Liability**

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

**B. Schedule of Town's Contributions**

Governmental employers are required to pay an annual appropriation as established by PERAC. The Town's 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 Town's 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 Town contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

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

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the City 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 revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

D. Changes in Assumptions

- The Mortality assumption for pre-retirement employees was changed from the RP-2000 Employee Mortality Table projected 20 years with a Scale AA (gender distinct) to the RP-2000 Employee Mortality Table projected generationally with a Scale BB and a base year of 2009 (gender distinct).
- The Mortality assumption for healthy retirees was changed from the RP-2000 Healthy Annuitant Mortality Table projected 15 years with a Scale AA (gender distinct) to the RP-2000 Healthy Annuitant Mortality Table projected generationally with a Scale BB and a base year of 2009 (gender distinct).
- The Mortality assumption for disabled retirees was changed from the RP-2000 Healthy Annuitant Mortality Table set forward two years to the RP-2000 Healthy Annuitant Mortality Table projected generationally with a Scale BB and a base year of 2012 (gender distinct).

E. Changes in Plan Provisions

Chapter 176 of the Acts of 2011, An Act Providing for Pension Reform and Benefit Modernization made a number of changes to the Chapter 32 pension law. There are several changes that will have the most impact on decreasing plan liabilities over the longer term. These include an increase in the normal retirement age by two years (for example, from age 65 to age 67 for Group 1 members), an increase in the age (early retirement) reduction factor for ages below the maximum age (from a 4.0% to a 6.0% annual reduction), and an increase in the period for determining a member's average annual compensation (from 3 years to 5 years). Since these changes are effective only for members hired after April 1, 2012, this is the second actuarial valuation to reflect these changes.

As of January 1, 2015, there were 72 members hired after April 1, 2012. Since these members have less than two years of service and are generally young, there is relatively little impact on plan costs in this valuation. The normal cost decreased approximately \$45,000 and the actuarial liability decreased approximately \$260,000 for these members compared to the figures under the prior provisions.

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Additionally, retired teachers and their spouses receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts, (GIC). Each participating municipality is assessed for the governmental share of health and life insurance premiums paid on behalf of its teacher retirees by the state.

***The Other Postemployment Benefit Plan*****Schedule 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 Plans 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 the covered payroll.

**Schedule of Investment Return**

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

***The Town***

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

**Schedule of Funding Progress**

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the 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 trend in the amounts reported.

Changes in Assumptions

Effective June 30, 2017:

- Discount rate is 3.50% - previously 4.00%
- The assumed pre-retirement mortality table is the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
- The assumed post-retirement mortality table is the RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.