

TOWN OF WESTON, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2017

TOWN OF WESTON, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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Independent Auditor's Report

To the Town Manager and Board of Selectmen
Town of Weston, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017, on our consideration of the Town of Weston, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the Town of Weston, Massachusetts' internal control over financial reporting and compliance.

Powers & Sullivan LLC

December 22, 2017

Management's Discussion and Analysis

Management's Discussion and Analysis

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

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Weston's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. 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 finances, in a manner similar to private-sector business.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, facilities town-wide, finance, planning, land use and inspectional services, public safety, education, public works, health and human services, public library, community preservation and interest. The business-type activities include activities of the water department, recreation department, and the Brook School Apartments.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund as required supplementary information following the notes to the basic financial statements to demonstrate compliance with this budget.

Proprietary funds. The Town maintains one type of proprietary fund.

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 activities, recreation activities, and Brook School Apartments.

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

The Town maintains two different types of fiduciary funds. The Other Postemployment Benefits Fund is used to report resources held in trust for healthcare benefits for retirees and beneficiaries. The Agency fund reports resources held by the Town in a custodial capacity for individuals, private organizations and other governments. The Town's agency funds are used to account for performance bonds, guaranteed deposits and student activity funds.

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

Government-wide Financial Analysis

Governmental Activities:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Weston's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$81.6 million at the close of 2017.

| | 2017 Governmental Activities | 2016 Governmental Activities |
|--|------------------------------------|------------------------------------|
| Assets: | | |
| Current assets..... | \$ 62,347,083 | \$ 60,286,540 |
| Noncurrent assets (excluding capital)..... | 1,284,044 | 1,899,419 |
| Capital assets..... | <u>186,631,039</u> | <u>188,359,116</u> |
| Total assets..... | <u>250,262,166</u> | <u>250,545,075</u> |
| Deferred Outflows of Resources..... | <u>7,083,309</u> | <u>3,174,041</u> |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 8,067,577 | 7,622,418 |
| Noncurrent liabilities (excluding debt)..... | 82,221,458 | 75,998,403 |
| Current debt..... | 9,950,207 | 13,447,217 |
| Noncurrent debt..... | <u>74,328,097</u> | <u>74,673,760</u> |
| Total liabilities..... | <u>174,567,339</u> | <u>171,741,798</u> |
| Deferred Inflows of Resources..... | <u>1,193,097</u> | <u>431,522</u> |
| Net Position: | | |
| Net investment in capital assets..... | 110,191,748 | 107,238,419 |
| Restricted..... | 18,797,023 | 18,317,910 |
| Unrestricted..... | <u>(47,403,732)</u> | <u>(44,010,533)</u> |
| Total net position..... | <u>\$ 81,585,039</u> | <u>\$ 81,545,796</u> |

Net position of \$110.2 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$18.8 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a deficit of \$47.4 million. The deficit is the result of the recognition of the Town's net pension liability of \$62.1 million along with the recognition of the other postemployment benefits liability of \$19.1 million. These are long-term unfunded liabilities that will not require significant short term resources.

The governmental activities net position decreased by \$39,000 in 2017. This decrease is primarily attributable to the combined effect of several offsetting factors. Net position decreased as a result of a \$1.8 million increase in the other postemployment benefit liabilities and a \$2.0 million increase in the net pension liability, offset by better than anticipated budgetary results in the general fund, as well as the recognition of \$1.1 million of capital grants and \$2 million in Community Preservation taxes raised primarily for capital purposes.

| | 2017 | 2016 |
|--|-----------------------------|-----------------------------|
| | Governmental Activities | Governmental Activities |
| | <u> </u> | <u> </u> |
| Program revenues: | | |
| Charges for services..... | \$ 4,420,099 | \$ 4,488,713 |
| Operating grants and contributions..... | 15,417,673 | 12,960,250 |
| Capital grants and contributions..... | 1,068,633 | 1,105,924 |
| General revenues: | | |
| Real estate and personal property taxes..... | 73,457,615 | 71,195,587 |
| Community preservation fund surtax..... | 2,035,315 | 1,970,217 |
| Motor vehicle excise taxes..... | 3,070,049 | 2,976,181 |
| Penalties and interest on taxes..... | 312,688 | 145,861 |
| Payments in lieu of taxes..... | 36,795 | 89,222 |
| Grants and contributions not restricted to specific programs..... | 621,707 | 711,987 |
| Unrestricted investment income..... | 1,040,331 | 415,058 |
| Total revenues..... | <u>101,480,905</u> | <u>96,059,000</u> |
| Expenses: | | |
| General government..... | 4,065,015 | 3,605,171 |
| Facilities town-wide..... | 1,517,104 | 1,416,486 |
| Finance..... | 1,210,422 | 1,187,222 |
| Planning, land use & inspectional services..... | 1,074,378 | 1,047,890 |
| Public safety..... | 9,858,298 | 9,406,459 |
| Education..... | 71,035,993 | 66,957,989 |
| Public works..... | 5,668,256 | 5,526,925 |
| Health & human services..... | 1,170,209 | 1,145,665 |
| Public library..... | 2,144,770 | 2,113,473 |
| Community preservation..... | 637,095 | 158,074 |
| Interest..... | 2,323,289 | 2,717,140 |
| Total expenses..... | <u>100,704,829</u> | <u>95,282,494</u> |
| Excess before transfers..... | 776,076 | 776,506 |
| Transfers..... | <u>(736,833)</u> | <u>(445,319)</u> |
| Change in net position..... | 39,243 | 331,187 |
| Net position, beginning of year..... | <u>81,545,796</u> | <u>81,214,609</u> |
| Net position, end of year..... | <u>\$ 81,585,039</u> | <u>\$ 81,545,796</u> |

The Town's other postemployment benefit expense is required to be recognized under GASB Statement #45. In accordance with this pronouncement, the Town obtained an actuarial valuation of the Town's liability to fund other postemployment benefits for current employees and retirees. The GASB allows the unfunded liability, which totaled \$64.9 million, to be amortized over 30 years. There is currently no legal obligation to pre-fund this liability; the Town is funding the required pay-as-you-go benefits and has been pre-funding the liability on a systematic basis by contributing to an irrevocable trust fund. As of June 30, 2017, the Town has pre-funded \$13.8 million of the liability, which is recorded in the fiduciary funds. The Town is required to record the difference between the current year pay-as-you go cost and the amount pre-funded, and the current year actuarial determined expense as a liability in the full accrual financial statements. This difference totaled \$1.8 million for governmental activities at June 30, 2017.

Business-type Activities:

For the Town's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11.3 million at the close of 2017.

| | 2017 Business-type Activities | 2016 Business-type Activities |
|--|-------------------------------------|-------------------------------------|
| Assets: | | |
| Current assets..... | \$ 5,572,133 | \$ 4,955,940 |
| Capital assets..... | 14,795,220 | 14,278,961 |
| Total assets..... | 20,367,353 | 19,234,901 |
| Deferred Outflows of Resources..... | 272,824 | 58,910 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 595,917 | 422,712 |
| Noncurrent liabilities (excluding debt)..... | 1,857,789 | 1,589,276 |
| Current debt..... | 1,181,526 | 1,383,893 |
| Noncurrent debt..... | 5,662,087 | 5,726,887 |
| Total liabilities..... | 9,297,319 | 9,122,768 |
| Deferred Inflows of Resources..... | 25,161 | 8,667 |
| Net Position: | | |
| Net investment in capital assets..... | 8,390,024 | 7,668,737 |
| Unrestricted..... | 2,927,673 | 2,493,639 |
| Total net position..... | \$ 11,317,697 | \$ 10,162,376 |

Business-type net position of \$8.4 million represents the net investment in capital assets. The remaining balance of unrestricted business-type net position totaled \$2.9 million.

| | 2017 Business-type Activities | 2016 Business-type Activities |
|---|-------------------------------------|-------------------------------------|
| Program revenues: | | |
| Charges for services..... | \$ 6,302,509 | \$ 5,760,423 |
| Operating grants and contributions..... | 695,236 | 653,552 |
| General revenues: | | |
| Unrestricted investment income..... | 3,062 | 2,806 |
| Total revenues..... | 7,000,807 | 6,416,781 |
| Expenses: | | |
| Water..... | 3,403,621 | 3,110,394 |
| Recreation..... | 2,057,657 | 1,601,433 |
| Brook school apartments..... | 1,121,041 | 889,676 |
| Total expenses..... | 6,582,319 | 5,601,503 |
| Excess before transfers..... | 418,488 | 815,278 |
| Transfers..... | 736,833 | 445,319 |
| Change in net position..... | 1,155,321 | 1,260,597 |
| Net position, beginning of year..... | 10,162,376 | 8,901,779 |
| Net position, end of year..... | \$ 11,317,697 | \$ 10,162,376 |

The Town's business-type activities include water, recreation, and the Brook School Apartments.

The water enterprise fund's net position of \$3.5 million represents the net investment in capital assets while \$2.7 million is unrestricted. Net position increased by \$864,000 primarily due to principal payments on long term debt exceeding depreciation expense by \$181,000 combined with a \$466,000 increase in charges for services.

The recreation enterprise fund's net position of \$667,000 represents the net investment in capital assets while unrestricted net position was \$140,000. Net position increased by \$106,000 after a general fund budgeted subsidy of \$1.0 million.

The Brook School Apartment enterprise fund's net position of \$4.4 million represents the net investment in capital assets while unrestricted net position was in a deficit of \$103,000. Net position increased by \$186,000 primarily due to principal payments on long term debt exceeding depreciation expense by \$163,000.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town'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's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$50.7 million, an increase of \$5.3 million from the prior year.

The general fund is the Town's chief operating fund. At the end of the current year, unassigned fund balance of the general fund totaled \$10.3 million, while \$3.1 million is committed for future Town articles and \$2.8 million has been assigned for encumbrances and continuing appropriations. The balance of the general fund increased by \$254,000 during the current year. This increase is primarily due to positive budgetary results, offset by the planned use a transfer of \$1.0 million to the recreation enterprise fund. 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 9.6% of total general fund expenditures plus transfers out, while total fund balance represents 15.1% of that same amount.

The community preservation fund balance reported a decrease of \$481,000 during the current year. This is the net result of \$2.5 million received in taxes and state matching funds and \$2.4 million spent on projects and \$394,000 in debt service payments.

The capital projects fund balance reported an increase of \$4.5 million during the current year. This increase is primarily attributable to \$6.0 million in bond proceeds, offset by \$531,000 in expenditures related to the Case Estate project, \$563,000 in expenditures related to surface drain improvement projects and \$628,000 in expenditures related to various education capital projects including the Proctor Field design and Middle School paving.

Nonmajor governmental funds reported an increase of \$1.1 million in fund balance, which was primarily attributable to a timing difference between the receipt and expenditure of state and federal grants.

General Fund Budgetary Highlights

The Town has adopted a budget for the general fund. Actual revenues exceeded budgeted amounts by \$1.5 million. Unexpended appropriations totaled \$6.0 million of which \$3.6 million was carried forward to 2018. At the May special town meeting \$440,000 of supplemental appropriations were approved to fund snow and ice removal costs.

Capital Asset and Debt Administration

During the current year the Town expended \$5.8 million on governmental activities capital assets consisting mainly of \$2.5 million for various roadway improvement projects, as well as \$676,000 related to the Case Estates and \$487,000 related to the Warren Avenue construction project. Business-type activities expended \$1.1 million for capital assets. Of this amount \$604,000 was expended for various water infrastructure improvements, and \$313,000 was expended for the completion of building improvements at the Brook School Apartments.

Outstanding long-term debt for governmental activities, as of June 30, 2017, totaled \$77.7 million, of which \$40.8 million relates to school projects, \$12.2 million relates to various public works projects, \$11.4 million relates to the police station construction, \$6.9 million relates to Case Estate, and \$6.4 million relates to various other projects.

Outstanding long-term debt for enterprise activities, as of June 30, 2017, totaled \$6.1 million, of which \$4.1 million relates to water enterprise activities, and \$2.0 million relates to Brook School Apartment activities.

In order to take advantage of favorable interest rates, the Town issued \$14,645,000 of general obligation refunding bonds on October 20, 2016. This transaction resulted in a reduction of \$1.6 million in future debt service payments.

Please refer to the notes to the basic financial statements for further discussion of the capital asset and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Weston's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Weston, Massachusetts, 11 Town House Road Weston, Massachusetts 02493.

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2017

| | <i>Primary Government</i> | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and cash equivalents..... | \$ 39,418,252 | \$ 2,700,949 | \$ 42,119,201 |
| Investments..... | 18,921,293 | - | 18,921,293 |
| Receivables, net of allowance for uncollectibles: | | | |
| Real estate and personal property taxes..... | 1,363,565 | - | 1,363,565 |
| Tax liens..... | 922,821 | - | 922,821 |
| Motor vehicle excise taxes..... | 130,033 | - | 130,033 |
| User fees..... | - | 2,818,228 | 2,818,228 |
| Departmental and other..... | 127,281 | - | 127,281 |
| Intergovernmental..... | 1,463,838 | 52,956 | 1,516,794 |
| NONCURRENT: | | | |
| Receivables, net of allowance for uncollectibles: | | | |
| Intergovernmental..... | 1,284,044 | - | 1,284,044 |
| Capital Assets: | | | |
| Nondepreciable..... | 55,126,282 | 161,596 | 55,287,878 |
| Depreciable..... | 131,504,757 | 14,633,624 | 146,138,381 |
| TOTAL ASSETS..... | 250,262,166 | 20,367,353 | 270,629,519 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources related to pensions..... | 6,242,400 | 131,644 | 6,374,044 |
| Deferred loss on refunded debt..... | 840,909 | 141,180 | 982,089 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES..... | 7,083,309 | 272,824 | 7,356,133 |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants payable..... | 1,133,621 | 285,508 | 1,419,129 |
| Accrued liabilities..... | 186,000 | - | 186,000 |
| Accrued payroll..... | 1,965,923 | 44,717 | 2,010,640 |
| Accrued interest..... | 1,135,595 | 87,696 | 1,223,291 |
| Other liabilities..... | 2,315,438 | - | 2,315,438 |
| Customer deposits payable..... | - | 65,996 | 65,996 |
| Landfill closure..... | 25,000 | - | 25,000 |
| Compensated absences..... | 1,306,000 | 112,000 | 1,418,000 |
| Notes payable..... | 2,689,500 | 500,000 | 3,189,500 |
| Bonds payable..... | 7,260,707 | 681,526 | 7,942,233 |
| NONCURRENT: | | | |
| Landfill closure..... | 50,000 | - | 50,000 |
| Compensated absences..... | 989,000 | 94,000 | 1,083,000 |
| Other postemployment benefits..... | 19,074,000 | 454,000 | 19,528,000 |
| Net pension liability..... | 62,108,458 | 1,309,789 | 63,418,247 |
| Bonds payable..... | 74,328,097 | 5,662,087 | 79,990,184 |
| TOTAL LIABILITIES..... | 174,567,339 | 9,297,319 | 183,864,658 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources related to pensions..... | 1,193,097 | 25,161 | 1,218,258 |
| NET POSITION | | | |
| Net investment in capital assets..... | 110,191,748 | 8,390,024 | 118,581,772 |
| Restricted for: | | | |
| Permanent funds: | | | |
| Expendable..... | 7,227,785 | - | 7,227,785 |
| Nonexpendable..... | 8,679,021 | - | 8,679,021 |
| Gifts and grants..... | 2,890,217 | - | 2,890,217 |
| Unrestricted..... | (47,403,732) | 2,927,673 | (44,476,059) |
| TOTAL NET POSITION..... | \$ 81,585,039 | \$ 11,317,697 | \$ 92,902,736 |

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue |
|---|-----------------------|-------------------------|--|--|--------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary Government: | | | | | |
| <i>Governmental Activities:</i> | | | | | |
| General government..... | \$ 4,065,015 | \$ 1,156,888 | \$ 756,331 | \$ - | \$ (2,151,796) |
| Facilities town-wide..... | 1,517,104 | - | - | - | (1,517,104) |
| Finance..... | 1,210,422 | - | - | - | (1,210,422) |
| Planning, land use & inspectional services..... | 1,074,378 | - | - | - | (1,074,378) |
| Public safety..... | 9,858,298 | 703,041 | 93,306 | - | (9,061,951) |
| Education..... | 71,035,993 | 1,817,849 | 14,187,849 | 216,560 | (54,813,735) |
| Public works..... | 5,668,256 | 460,292 | 46,380 | 486,851 | (4,674,733) |
| Health & human services..... | 1,170,209 | 140,475 | 127,391 | - | (902,343) |
| Public library..... | 2,144,770 | 64,856 | 141,847 | - | (1,938,067) |
| Community preservation..... | 637,095 | 76,698 | - | 365,222 | (195,175) |
| Interest..... | 2,323,289 | - | 64,569 | - | (2,258,720) |
| Total Governmental Activities..... | 100,704,829 | 4,420,099 | 15,417,673 | 1,068,633 | (79,798,424) |
| <i>Business-Type Activities:</i> | | | | | |
| Water..... | 3,403,621 | 4,553,028 | - | - | 1,149,407 |
| Recreation..... | 2,057,657 | 1,056,959 | 84,988 | - | (915,710) |
| Brook School Apartments..... | 1,121,041 | 692,522 | 610,248 | - | 181,729 |
| Total Business-Type Activities..... | 6,582,319 | 6,302,509 | 695,236 | - | 415,426 |
| Total Primary Government..... | \$ 107,287,148 | \$ 10,722,608 | \$ 16,112,909 | \$ 1,068,633 | \$ (79,382,998) |

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2017

| | Primary Government | | |
|---|----------------------------|-----------------------------|------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Changes in net position: | | | |
| Net (expense) revenue from previous page..... | \$ (79,798,424) | \$ 415,426 | \$ (79,382,998) |
| <i>General revenues:</i> | | | |
| Real estate and personal property taxes, net of tax refunds payable..... | 73,457,615 | - | 73,457,615 |
| Community preservation fund surtax..... | 2,035,315 | - | 2,035,315 |
| Motor vehicle excise taxes..... | 3,070,049 | - | 3,070,049 |
| Hotel/motel tax..... | - | - | - |
| Meals tax..... | - | - | - |
| Penalties and interest on taxes..... | 312,688 | - | 312,688 |
| Payments in lieu of taxes..... | 36,795 | - | 36,795 |
| Grants and contributions not restricted to specific programs..... | 621,707 | - | 621,707 |
| Unrestricted investment income..... | 1,040,331 | 3,062 | 1,043,393 |
| <i>Transfers, net</i> | <u>(736,833)</u> | <u>736,833</u> | <u>-</u> |
| Total general revenues..... | <u>79,837,667</u> | <u>739,895</u> | <u>80,577,562</u> |
| Change in net position..... | 39,243 | 1,155,321 | 1,194,564 |
| <i>Net Position:</i> | | | |
| Beginning of year..... | <u>81,545,796</u> | <u>10,162,376</u> | <u>91,708,172</u> |
| End of year..... | \$ <u>81,585,039</u> | \$ <u>11,317,697</u> | \$ <u>92,902,736</u> |

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2017

| | General | Community Preservation Fund | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------------------|---------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents..... | \$ 21,177,362 | \$ 4,937,535 | \$ 5,243,599 | \$ 8,059,756 | \$ 39,418,252 |
| Investments..... | - | 6,787,393 | - | 12,133,900 | 18,921,293 |
| Receivables, net of uncollectibles: | | | | | |
| Real estate and personal property taxes..... | 1,345,312 | 18,253 | - | - | 1,363,565 |
| Tax liens..... | 897,989 | 24,832 | - | - | 922,821 |
| Motor vehicle excise taxes..... | 130,033 | - | - | - | 130,033 |
| Departmental and other..... | 126,346 | - | - | 935 | 127,281 |
| Intergovernmental..... | 1,916,940 | 298,000 | - | 532,942 | 2,747,882 |
| TOTAL ASSETS..... | \$ 25,593,982 | \$ 12,066,013 | \$ 5,243,599 | \$ 20,727,533 | \$ 63,631,127 |
| LIABILITIES | | | | | |
| Warrants payable..... | \$ 680,088 | \$ 139,142 | \$ 144,914 | \$ 169,477 | \$ 1,133,621 |
| Accrued liabilities..... | 186,000 | - | - | - | 186,000 |
| Accrued payroll..... | 1,915,389 | 421 | - | 50,113 | 1,965,923 |
| Other liabilities..... | 2,308,323 | 7,115 | - | - | 2,315,438 |
| Notes payable..... | - | - | 2,689,500 | - | 2,689,500 |
| TOTAL LIABILITIES..... | 5,089,800 | 146,678 | 2,834,414 | 219,590 | 8,290,482 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenues..... | 4,387,097 | 43,083 | - | 248,333 | 4,678,513 |
| FUND BALANCES | | | | | |
| Nonspendable..... | - | - | - | 8,679,021 | 8,679,021 |
| Restricted..... | - | 11,876,252 | 3,163,177 | 11,580,589 | 26,620,018 |
| Committed..... | 3,091,725 | - | - | - | 3,091,725 |
| Assigned..... | 2,765,396 | - | - | - | 2,765,396 |
| Unassigned..... | 10,259,964 | - | (753,992) | - | 9,505,972 |
| TOTAL FUND BALANCES..... | 16,117,085 | 11,876,252 | 2,409,185 | 20,259,610 | 50,662,132 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES..... | \$ 25,593,982 | \$ 12,066,013 | \$ 5,243,599 | \$ 20,727,533 | \$ 63,631,127 |

See notes to basic financial statements.

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

JUNE 30, 2017

| | | | |
|---|--------------|----|----------------------|
| Total governmental fund balances..... | | \$ | 50,662,132 |
| Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds..... | | | 186,631,039 |
| Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds..... | | | 4,678,513 |
| 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..... | | | 5,049,303 |
| In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due..... | | | (1,135,595) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds | | | |
| Bonds payable..... | (77,654,858) | | |
| Unamortized premium..... | (3,933,946) | | |
| Unamortized deferred loss on refunding..... | 840,909 | | |
| Landfill closure..... | (75,000) | | |
| Compensated absences..... | (2,295,000) | | |
| Net pension liability..... | (62,108,458) | | |
| Other postemployment benefits..... | (19,074,000) | | |
| Net effect of reporting long-term liabilities..... | | | <u>(164,300,353)</u> |
| Net position of governmental activities..... | | \$ | <u>81,585,039</u> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

| | General | Community Preservation | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------------|---------------------|-----------------------------------|--------------------------------|
| REVENUES: | | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 73,260,890 | \$ 2,032,138 | \$ - | \$ - | \$ 75,293,028 |
| Tax liens..... | 86,809 | 551 | - | - | 87,360 |
| Motor vehicle excise taxes..... | 3,043,210 | - | - | - | 3,043,210 |
| Charges for services..... | 358,392 | - | - | 623,553 | 981,945 |
| Penalties and interest on taxes..... | 305,941 | 6,747 | - | - | 312,688 |
| Fees and rentals..... | 374,004 | - | - | - | 374,004 |
| Payments in lieu of taxes..... | 36,795 | - | - | - | 36,795 |
| Licenses and permits..... | 1,080,575 | - | - | - | 1,080,575 |
| Fines and forfeitures..... | 96,434 | - | - | - | 96,434 |
| Intergovernmental..... | 12,341,312 | 363,742 | 216,560 | 4,603,761 | 17,525,375 |
| Departmental and other..... | 754,479 | 78,178 | - | 882,923 | 1,715,580 |
| Contributions..... | - | - | - | 506,320 | 506,320 |
| Investment income..... | 212,550 | 58,197 | - | 769,584 | 1,040,331 |
| TOTAL REVENUES..... | 91,951,391 | 2,539,553 | 216,560 | 7,386,141 | 102,093,645 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government..... | 2,035,660 | - | 63,156 | 634,102 | 2,732,918 |
| Facilities town-wide..... | 1,444,450 | - | - | - | 1,444,450 |
| Finance..... | 824,024 | - | - | - | 824,024 |
| Planning, land use & inspectional services..... | 754,943 | - | 530,807 | - | 1,285,750 |
| Public safety..... | 6,854,474 | - | 64,466 | 68,743 | 6,987,683 |
| Education..... | 38,197,718 | - | 628,128 | 4,913,939 | 43,739,785 |
| Public works..... | 4,570,918 | - | 563,361 | 602,299 | 5,736,578 |
| Health & human services..... | 686,580 | - | - | 109,155 | 795,735 |
| Public library..... | 1,290,387 | - | - | 167,602 | 1,457,989 |
| Community preservation..... | - | 2,416,507 | - | - | 2,416,507 |
| Insurance..... | 641,144 | - | - | - | 641,144 |
| Employee benefits..... | 24,787,915 | - | - | - | 24,787,915 |
| State and county charges..... | 300,620 | - | - | - | 300,620 |
| Debt service: | | | | | |
| Principal..... | 6,175,000 | 322,000 | - | - | 6,497,000 |
| Principal - current refunding..... | 3,330,000 | - | - | - | 3,330,000 |
| Interest..... | 2,766,091 | 72,440 | - | - | 2,838,531 |
| TOTAL EXPENDITURES..... | 94,659,924 | 2,810,947 | 1,849,918 | 6,495,840 | 105,816,629 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (2,708,533) | (271,394) | (1,633,358) | 890,301 | (3,722,984) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Issuance of bonds..... | - | - | 6,007,658 | - | 6,007,658 |
| Issuance of refunding bonds..... | 12,890,000 | - | - | - | 12,890,000 |
| Premium from issuance of bonds..... | 319,958 | - | - | - | 319,958 |
| Premium from issuance of refunding bonds..... | 1,145,450 | - | - | - | 1,145,450 |
| Payments to refund bond escrow agent..... | (10,599,334) | - | - | - | (10,599,334) |
| Transfers in..... | 703,328 | - | 98,250 | 341,570 | 1,143,148 |
| Transfers out..... | (1,496,814) | (209,300) | - | (173,867) | (1,879,981) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 2,962,588 | (209,300) | 6,105,908 | 167,703 | 9,026,899 |
| NET CHANGE IN FUND BALANCES..... | 254,055 | (480,694) | 4,472,550 | 1,058,004 | 5,303,915 |
| FUND BALANCES AT BEGINNING OF YEAR..... | 15,863,030 | 12,356,946 | (2,063,365) | 19,201,606 | 45,358,217 |
| FUND BALANCES AT END OF YEAR..... | \$ 16,117,085 | \$ 11,876,252 | \$ 2,409,185 | \$ 20,259,610 | \$ 50,662,132 |

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..... | | \$ | 5,303,915 |
| <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..... | 5,772,159 | | |
| Depreciation expense..... | <u>(7,500,236)</u> | | |
| Net effect of reporting capital assets..... | | | (1,728,077) |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p> | | | |
| | | | (612,740) |
| <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> | | | |
| Issuance of bonds..... | (6,007,658) | | |
| Issuance of refunding bonds..... | (12,890,000) | | |
| Debt service principal payments..... | 6,497,000 | | |
| Debt service principal - current refunding..... | 3,330,000 | | |
| Amortization of premium..... | 685,575 | | |
| Payment to bond escrow agent..... | 10,599,334 | | |
| Issue costs associated with the refunding..... | 106,116 | | |
| Premium from issuance of bonds, net of issue costs..... | (319,958) | | |
| Premium from issuance of refunding bonds, net of issue costs..... | (1,145,450) | | |
| Amortization of deferred loss on refunding..... | <u>(128,860)</u> | | |
| Net effect of reporting long-term debt..... | | | 726,099 |
| <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 accrued interest on long-term debt..... | (41,473) | | |
| Net change in accrued landfill liability..... | 25,000 | | |
| Net change in compensated absences accrual..... | 164,000 | | |
| Net change in other postemployment benefit liability..... | (1,760,000) | | |
| Net change in deferred outflow/(inflow) of resources related to pensions..... | 2,547,574 | | |
| Net change in net pension liability..... | <u>(4,585,055)</u> | | |
| Net effect of recording long-term liabilities..... | | | <u>(3,649,954)</u> |
| Change in net position of governmental activities..... | | \$ | <u><u>39,243</u></u> |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2017

| | Business-type Activities - Enterprise Funds | | | |
|---|---|-------------------|-------------------------------|----------------------|
| | Water | Recreation | Brook School Apartments | Total |
| ASSETS | | | | |
| CURRENT: | | | | |
| Cash and cash equivalents..... | \$ 1,304,005 | \$ 886,667 | \$ 510,277 | \$ 2,700,949 |
| Receivables, net of allowance for uncollectibles: | | | | |
| User fees..... | 2,818,228 | - | - | 2,818,228 |
| Intergovernmental..... | - | - | 52,956 | 52,956 |
| Total current assets..... | <u>4,122,233</u> | <u>886,667</u> | <u>563,233</u> | <u>5,572,133</u> |
| NONCURRENT: | | | | |
| Capital assets: | | | | |
| Nondepreciable..... | - | 161,596 | - | 161,596 |
| Depreciable..... | 7,663,400 | 505,263 | 6,464,961 | 14,633,624 |
| Total noncurrent assets..... | <u>7,663,400</u> | <u>666,859</u> | <u>6,464,961</u> | <u>14,795,220</u> |
| TOTAL ASSETS..... | <u>11,785,633</u> | <u>1,553,526</u> | <u>7,028,194</u> | <u>20,367,353</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows of resources related to pensions..... | 77,834 | - | 53,810 | 131,644 |
| Deferred loss on refunded debt..... | 141,180 | - | - | 141,180 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES..... | <u>219,014</u> | <u>-</u> | <u>53,810</u> | <u>272,824</u> |
| LIABILITIES | | | | |
| CURRENT: | | | | |
| Warrants payable..... | 25,743 | 244,698 | 15,067 | 285,508 |
| Accrued payroll..... | 5,469 | 35,875 | 3,373 | 44,717 |
| Accrued interest..... | 54,899 | - | 32,797 | 87,696 |
| Customer deposits payable..... | - | - | 65,996 | 65,996 |
| Compensated absences..... | 31,000 | 70,000 | 11,000 | 112,000 |
| Notes payable..... | 500,000 | - | - | 500,000 |
| Bonds payable..... | 456,378 | - | 225,148 | 681,526 |
| Total current liabilities..... | <u>1,073,489</u> | <u>350,573</u> | <u>353,381</u> | <u>1,777,443</u> |
| NONCURRENT: | | | | |
| Compensated absences..... | 59,000 | 35,000 | - | 94,000 |
| Other postemployment benefits..... | 47,000 | 361,000 | 46,000 | 454,000 |
| Net pension liability..... | 774,401 | - | 535,388 | 1,309,789 |
| Bonds payable..... | 3,833,748 | - | 1,828,339 | 5,662,087 |
| Total noncurrent liabilities..... | <u>4,714,149</u> | <u>396,000</u> | <u>2,409,727</u> | <u>7,519,876</u> |
| TOTAL LIABILITIES..... | <u>5,787,638</u> | <u>746,573</u> | <u>2,763,108</u> | <u>9,297,319</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows of resources related to pension..... | 14,876 | - | 10,285 | 25,161 |
| NET POSITION | | | | |
| Net investment in capital assets..... | 3,478,032 | 666,859 | 4,411,474 | 8,556,365 |
| Unrestricted..... | 2,724,101 | 140,094 | (102,863) | 2,761,332 |
| TOTAL NET POSITION..... | <u>\$ 6,202,133</u> | <u>\$ 806,953</u> | <u>\$ 4,308,611</u> | <u>\$ 11,317,697</u> |

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 | Recreation | Brook School Apartments | Total |
| OPERATING REVENUES: | | | | |
| Charges for services | \$ 4,553,028 | \$ 1,056,959 | \$ 692,522 | \$ 6,302,509 |
| Intergovernmental..... | - | 4,400 | 610,248 | 614,648 |
| Contributions..... | - | 80,588 | - | 80,588 |
| TOTAL OPERATING REVENUES | 4,553,028 | 1,141,947 | 1,302,770 | 6,997,745 |
| OPERATING EXPENSES: | | | | |
| Cost of services and administration | 3,015,594 | 2,024,585 | 828,538 | 5,868,717 |
| Depreciation..... | 286,865 | 33,072 | 242,569 | 562,506 |
| TOTAL OPERATING EXPENSES | 3,302,459 | 2,057,657 | 1,071,107 | 6,431,223 |
| OPERATING INCOME (LOSS)..... | 1,250,569 | (915,710) | 231,663 | 566,522 |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Investment income..... | 1,452 | - | 1,610 | 3,062 |
| Interest expense..... | (101,162) | - | (49,934) | (151,096) |
| TOTAL NONOPERATING REVENUES (EXPENSES), NET..... | (99,710) | - | (48,324) | (148,034) |
| INCOME (LOSS) BEFORE TRANSFERS..... | 1,150,859 | (915,710) | 183,339 | 418,488 |
| TRANSFERS: | | | | |
| Transfers in..... | 60,158 | 1,021,297 | 211,101 | 1,292,556 |
| Transfers out..... | (347,453) | - | (208,270) | (555,723) |
| TOTAL TRANSFERS..... | (287,295) | 1,021,297 | 2,831 | 736,833 |
| CHANGE IN NET POSITION..... | 863,564 | 105,587 | 186,170 | 1,155,321 |
| NET POSITION AT BEGINNING OF YEAR..... | 5,338,569 | 701,366 | 4,122,441 | 10,162,376 |
| NET POSITION AT END OF YEAR..... | \$ 6,202,133 | \$ 806,953 | \$ 4,308,611 | \$ 11,317,697 |

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2017

| | Business-type Activities - Enterprise Funds | | | |
|--|---|---------------------|-------------------------------|---------------------|
| | Water | Recreation | Brook School Apartments | Total |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | | | |
| Receipts from customers and users..... | \$ 4,278,674 | \$ 1,137,547 | \$ 700,646 | \$ 6,116,867 |
| Receipts from other governments..... | - | 4,400 | 605,693 | 610,093 |
| Payments to vendors..... | (2,749,847) | (738,410) | (615,333) | (4,103,590) |
| Payments to employees..... | (249,939) | (976,812) | (156,929) | (1,383,680) |
| NET CASH FROM OPERATING ACTIVITIES..... | 1,278,888 | (573,275) | 534,077 | 1,239,690 |
| <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u> | | | | |
| Transfers in..... | 60,158 | 1,021,297 | 211,101 | 1,292,556 |
| Transfers out..... | (347,453) | - | (208,270) | (555,723) |
| NET CASH FROM NONCAPITAL FINANCING ACTIVITIES..... | (287,295) | 1,021,297 | 2,831 | 736,833 |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u> | | | | |
| Proceeds from the issuance of bonds and notes..... | 965,100 | - | - | 965,100 |
| Acquisition and construction of capital assets..... | (603,867) | (161,596) | (313,302) | (1,078,765) |
| Principal payments on bonds and notes..... | (939,900) | - | (405,500) | (1,345,400) |
| Interest expense..... | (93,685) | - | (86,083) | (179,768) |
| NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES..... | (672,352) | (161,596) | (804,885) | (1,638,833) |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | | | |
| Investment income..... | 1,452 | - | 1,610 | 3,062 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS..... | 320,693 | 286,426 | (266,367) | 340,752 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR..... | 983,312 | 600,241 | 776,644 | 2,360,197 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR..... | \$ 1,304,005 | \$ 886,667 | \$ 510,277 | \$ 2,700,949 |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u> | | | | |
| Operating income (loss)..... | \$ 1,250,569 | \$ (915,710) | \$ 231,663 | \$ 566,522 |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: | | | | |
| Depreciation..... | 286,865 | 33,072 | 242,569 | 562,506 |
| Deferred (outflows)/inflows of resources related to pensions..... | (33,051) | - | (23,189) | (56,240) |
| Changes in assets and liabilities: | | | | |
| User fees..... | (274,354) | - | - | (274,354) |
| Departmental and other..... | - | - | 3,468 | 3,468 |
| Intergovernmental..... | - | - | (4,555) | (4,555) |
| Warrants payable..... | (65,180) | 216,316 | (9,427) | 141,709 |
| Accrued payroll..... | 1,315 | 9,047 | 1,103 | 11,465 |
| Customer deposits payable and other liabilities..... | - | - | 4,656 | 4,656 |
| Compensated absences..... | 18,000 | 25,000 | 1,000 | 44,000 |
| Other postemployment benefits..... | 8,000 | 59,000 | 19,000 | 86,000 |
| Net pension liability..... | 86,724 | - | 67,789 | 154,513 |
| Total adjustments..... | 28,319 | 342,435 | 302,414 | 673,168 |
| NET CASH FROM OPERATING ACTIVITIES..... | \$ 1,278,888 | \$ (573,275) | \$ 534,077 | \$ 1,239,690 |
| <u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u> | | | | |
| Issuance of refunding bonds..... | \$ 1,755,000 | \$ - | \$ - | \$ 1,755,000 |
| Long-term bonds refunded..... | (1,755,600) | - | - | (1,755,600) |
| NET NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES..... | \$ (600) | \$ - | \$ - | \$ (600) |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

| | Other Postemployment Benefit Fund | Agency Funds |
|--|---|------------------|
| ASSETS | | |
| CURRENT: | | |
| Cash and cash equivalents..... | \$ 68,616 | \$ 1,179,438 |
| Investments: | | |
| Equity Mutual Funds..... | 9,002,247 | - |
| Bond Mutual Funds..... | 4,716,394 | |
| Receivables, net of allowance for uncollectibles: | | |
| Departmental and other..... | - | 113,056 |
| TOTAL ASSETS..... | 13,787,257 | 1,292,494 |
| LIABILITIES | | |
| Warrants payable..... | - | 33,413 |
| Accrued liabilities..... | - | 36,968 |
| Liabilities due depositors..... | - | 1,127,202 |
| Other liabilities..... | - | 94,911 |
| TOTAL LIABILITIES..... | - | 1,292,494 |
| NET POSITION | | |
| Held in trust for other postemployment benefits..... | \$ 13,787,257 | \$ - |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2017

| | <u>Other Postemployment Benefit Fund</u> |
|---|--|
| ADDITIONS: | |
| Contributions: | |
| Employer contribution to the trust..... | \$ 1,652,517 |
| Employer contribution to pay for OPEB benefits..... | <u>2,773,623</u> |
| Total contributions..... | <u>4,426,140</u> |
| Net investment income (loss): | |
| Net change in fair value of investments..... | 502,977 |
| Investment income..... | <u>408,476</u> |
| Net investment income (loss)..... | <u>911,453</u> |
| TOTAL ADDITIONS..... | <u>5,337,593</u> |
| DEDUCTIONS: | |
| OPEB benefits..... | <u>2,773,623</u> |
| CHANGE IN NET POSITION..... | 2,563,970 |
| NET POSITION AT BEGINNING OF YEAR..... | <u>11,223,287</u> |
| NET POSITION AT END OF YEAR..... | <u>\$ 13,787,257</u> |

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Town. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. It has been determined that there are no component units that require inclusion in the basic financial statements.

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and enterprise funds. 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, personal property tax, motor vehicle taxes and other revenues are considered available when the cash is received and are recognized as revenue at that time. Investment income is susceptible to accrual.

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 *Community Preservation Fund* is a special revenue fund used to account for funds held for uses restricted by law for community preservation purposes. These funds are attributable to the Town's acceptance of the Community Preservation Act, which allows the Town to impose up to a 3% surcharge on property taxes and to receive matching state grant funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing.

The *capital projects fund* accounts for and reports 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 on the governmental funds.

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

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

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

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the Town's water activities.

The *recreation enterprise fund* is used to account for the Town's recreation activities.

The *Brook School Apartment enterprise fund* is used to account for the Town's Brook School Apartment activities.

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 accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

The *agency fund* is used to account for assets held in a custodial capacity. Such assets consist primarily of performance bonds, bid deposits, and student activities. Agency funds do not present the results of operations or have a measurement focus.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

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

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

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

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

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

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

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on, November 1st, February 1st, May 1st, and August 1st, and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed in the first quarter 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 for uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise Taxes

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

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

User Fees

User fees are levied semi-annually based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed once a year and included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the year of the levy and are recorded under the modified accrual basis of accounting.

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 amounts from ambulance receivables and are recorded as receivables in the year accrued.

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

Intergovernmental

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

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

G. Inventories

Government-Wide and Fund Financial Statements

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

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, building improvements, equipment, vehicles 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, when actual historical cost could not be determined. Donated capital assets; donated works of art, historical treasures and similar assets; and capital assets received in service concession arrangements are recorded at acquisition value. 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 \$20,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis, in accordance with Massachusetts General Laws (MGL). The estimated useful lives of capital assets are as follows:

| <u>Capital Asset Type</u> | <u>Estimated Useful Life (in years)</u> |
|--|---|
| Buildings and improvements..... | 20-40 |
| Machinery, equipment, and furnishings..... | 5-10 |
| Infrastructure..... | 50-75 |

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. As of June 30, 2017, the Town reported deferred loss on refunded debt and deferred outflows of resources related to pensions in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. As of June 30, 2017, the Town reported deferred inflows related to pensions in this category.

Governmental Fund Financial Statements

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. Unavailable revenue at the governmental fund financial statement level represents non-exchange revenues received in advance or outstanding receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Interfund Transfers

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

Government-Wide Financial Statements

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

L. Unavailable Revenue

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

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

Net Position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state’s school building program is not considered to be capital related debt.

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.

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 donor restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings that support governmental programs.

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Gifts and grants” represents restrictions placed on assets from outside parties, and consist primarily of gifts and federal and state grants.

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

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

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Town’s by-laws authorize the Town Accountant to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

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

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.

N. 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.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Middlesex County Retirement System (MCRS) and the Massachusetts Teachers Retirement System additions to/deductions from their 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.

P. Investment Income

Excluding the permanent funds, investment income derived from special revenue and capital project funds is legally assigned to the general fund unless otherwise directed by MGL.

Q. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

R. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

S. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

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

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

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Weston's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$32,682,887 and the bank balance totaled \$33,055,799. Of the bank balance, \$2,000,000 was covered by Federal Depository Insurance, \$22,363,599 was covered by the Depositors Insurance Fund, \$3,255,778 was covered by Share Insurance Fund, \$4,500,053 was collateralized and \$936,369 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Town of Weston had the following investments, including cash equivalents classified as investments, at June 30, 2017:

| Investment Type | Fair Value | Maturity | |
|--|----------------------|---------------------|---------------------|
| | | Under 1 Year | 1-5 Years |
| <u>Debt Securities:</u> | | | |
| United States Treasuries..... | \$ 3,087,964 | \$ 813,645 | \$ 2,274,319 |
| Federal National Mortgage Association..... | 1,232,390 | 1,232,390 | - |
| Federal Home Loan Mortgage Corporation..... | 2,430,935 | 1,929,730 | 501,205 |
| Government National Mortgage Association.... | 3,124,068 | 3,124,068 | - |
| Total Debt Securities..... | 9,875,357 | \$ <u>7,099,833</u> | \$ <u>2,775,524</u> |
| <u>Other Investments:</u> | | | |
| Equity Securities..... | 9,045,936 | | |
| MMDT..... | 8,475,561 | | |
| (a) Equity Mutual Funds..... | 9,002,247 | | |
| (a) Bond Mutual Funds..... | 4,716,394 | | |
| Money Market Mutual Funds..... | 2,208,807 | | |
| Total Investments..... | \$ <u>43,324,302</u> | | |

(a) The OPEB fiduciary fund's \$13,718,641 in investments is reported as equity and bond mutual funds listed above.

Custodial Credit Risk – Town 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 securities that are in the possession of an outside party. Of the Town’s investments, \$3,087,964 in U.S. Treasury Securities, \$1,232,390 in Federal National Mortgage Association, \$2,430,935 in Federal Home Loan Mortgage Corporation, \$3,124,068 in Government National Mortgage Association, and \$9,045,936 in equity securities, the Town has custodial credit risk exposure of \$18,921,293 because the related securities are uninsured, unregistered and held by the counterparty.

Interest Rate Risk – Town Investments

The Town’s investment policy limits investment maturities of general operating funds to one year as a means of managing its exposure to fair value losses arising from increasing interest rates. The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately three months.

Credit Risk – Town Investments

The Town has not adopted a formal policy related to credit risk. At June 30, 2017 the Town’s debt securities were rated as follows:

| Quality Ratings | United States Treasury | Federal National Mortgage Association | Federal Home Loan Mortgage Corporation | Government National Mortgage Association | Totals |
|-----------------|------------------------|---------------------------------------|--|--|---------------------|
| AAA..... | \$ 3,087,964 | \$ - | \$ - | \$ - | \$ 3,087,964 |
| AA-AA+..... | - | 1,232,390 | 2,430,935 | 3,124,068 | 6,787,393 |
| Fair Value..... | <u>\$ 3,087,964</u> | <u>\$ 1,232,390</u> | <u>\$ 2,430,935</u> | <u>\$ 3,124,068</u> | <u>\$ 9,875,357</u> |

Fair Market Value of Investments

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

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

| Investment Type | Total | Fair Value Measurements Using | | |
|--|---------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments Measured at Fair Value: | | | | |
| <u>Debt Securities:</u> | | | | |
| United States Treasuries..... | \$ 3,087,964 | \$ 3,087,964 | \$ - | \$ - |
| Federal National Mortgage Association..... | 1,232,390 | 1,232,390 | - | - |
| Federal Home Loan Mortgage Corporation..... | 2,430,935 | 2,430,935 | - | - |
| Government National Mortgage Association.... | 3,124,068 | 3,124,068 | - | - |
| Total debt securities..... | 9,875,357 | 9,875,357 | - | - |
| <u>Other investments:</u> | | | | |
| Equity Securities..... | 9,045,936 | 9,045,936 | - | - |
| Equity Mutual Funds..... | 9,002,247 | 9,002,247 | - | - |
| Bond Mutual Funds..... | 4,716,394 | 4,716,394 | - | - |
| Money Market Mutual Funds..... | 2,208,807 | 2,208,807 | - | - |
| Total other investments..... | 24,973,384 | 24,973,384 | - | - |
| Total investments measured at fair value..... | 34,848,741 | \$ 34,848,741 | \$ - | \$ - |
| Investments Measured at Amortized Cost: | | | | |
| MMDT..... | 8,475,561 | | | |
| Total investments..... | \$ 43,324,302 | | | |

United States treasuries, government sponsored enterprises, equity securities, mutual funds and money market mutual funds classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those equities.

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

NOTE 3 – RECEIVABLES

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

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|---|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u> | | | |
| Real estate and personal property taxes.... | \$ 1,363,565 | \$ - | \$ 1,363,565 |
| Tax liens..... | 922,821 | - | 922,821 |
| Motor vehicle excise taxes..... | 180,033 | (50,000) | 130,033 |
| Departmental and other..... | 288,337 | (48,000) | 240,337 |
| Intergovernmental..... | 2,747,882 | - | 2,747,882 |
| Total..... | <u>\$ 5,502,638</u> | <u>\$ (98,000)</u> | <u>\$ 5,404,638</u> |

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

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|------------------------|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u> | | | |
| User charges..... | \$ 2,818,228 | \$ - | \$ 2,818,228 |
| Intergovernmental..... | 52,956 | - | 52,956 |
| Total..... | <u>\$ 2,871,184</u> | <u>\$ -</u> | <u>\$ 2,871,184</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 | Community Preservation Fund | Nonmajor Governmental Funds | Total |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| <u>Receivable and other asset type:</u> | | | | |
| Real estate and personal property taxes.... | \$ 1,345,313 | \$ 18,252 | \$ - | \$ 1,363,565 |
| Tax liens | 897,990 | 24,831 | - | 922,821 |
| Motor vehicle excise taxes..... | 130,033 | - | - | 130,033 |
| Departmental and other..... | 114,346 | - | - | 114,346 |
| Intergovernmental..... | 1,899,415 | - | 248,333 | 2,147,748 |
| Total..... | <u>\$ 4,387,097</u> | <u>\$ 43,083</u> | <u>\$ 248,333</u> | <u>\$ 4,678,513</u> |

NOTE 4 – CAPITAL ASSETS

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|----------------|--------------|-------------------|
| Governmental Activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Art..... | \$ 187,500 | \$ - | \$ - | \$ 187,500 |
| Land..... | 19,446,166 | - | - | 19,446,166 |
| Construction in progress..... | 32,934,791 | 3,026,198 | (468,373) | 35,492,616 |
| Total capital assets not being depreciated..... | 52,568,457 | 3,026,198 | (468,373) | 55,126,282 |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings and improvements..... | 173,376,456 | 318,325 | - | 173,694,781 |
| Machinery, equipment, and furnishings..... | 16,466,576 | 603,210 | - | 17,069,786 |
| Infrastructure..... | 21,484,495 | 2,292,799 | - | 23,777,294 |
| Total capital assets being depreciated..... | 211,327,527 | 3,214,334 | - | 214,541,861 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings and improvements..... | (54,890,285) | (5,633,511) | - | (60,523,796) |
| Machinery, equipment, and furnishings..... | (12,144,984) | (1,244,927) | - | (13,389,911) |
| Infrastructure..... | (8,501,599) | (621,798) | - | (9,123,397) |
| Total accumulated depreciation..... | (75,536,868) | (7,500,236) | - | (83,037,104) |
| Total capital assets being depreciated, net..... | 135,790,659 | (4,285,902) | - | 131,504,757 |
| Total governmental activities capital assets, net..... | \$ 188,359,116 | \$ (1,259,704) | \$ (468,373) | \$ 186,631,039 |
| Water Enterprise Fund: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Construction in progress..... | \$ 159,577 | \$ - | \$ (159,577) | \$ - |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings and improvements..... | 4,149,067 | - | - | 4,149,067 |
| Machinery, equipment, and furnishings..... | 178,769 | - | - | 178,769 |
| Infrastructure..... | 8,266,090 | 763,444 | - | 9,029,534 |
| Total capital assets being depreciated..... | 12,593,926 | 763,444 | - | 13,357,370 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings and improvements..... | (1,167,374) | (95,327) | - | (1,262,701) |
| Machinery, equipment, and furnishings..... | (171,964) | (907) | - | (172,871) |
| Infrastructure..... | (4,067,767) | (190,631) | - | (4,258,398) |
| Total accumulated depreciation..... | (5,407,105) | (286,865) | - | (5,693,970) |
| Total capital assets being depreciated, net..... | 7,186,821 | 476,579 | - | 7,663,400 |
| Total water enterprise fund capital assets, net..... | \$ 7,346,398 | \$ 476,579 | \$ (159,577) | \$ 7,663,400 |

| Recreation Enterprise Fund: | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-------------------|--------------------|---------------------|
| <u>Capital assets not being depreciated:</u> | | | | |
| Construction in progress..... | \$ 34,365 | \$ 161,596 | \$ (34,365) | \$ 161,596 |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings and improvements..... | 1,118,835 | 34,365 | - | 1,153,200 |
| Machinery, equipment, and furnishings..... | 434,001 | - | - | 434,001 |
| Total capital assets being depreciated..... | <u>1,552,836</u> | <u>34,365</u> | <u>-</u> | <u>1,587,201</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings and improvements..... | (622,155) | (28,225) | - | (650,380) |
| Machinery, equipment, and furnishings..... | (426,711) | (4,847) | - | (431,558) |
| Total accumulated depreciation..... | <u>(1,048,866)</u> | <u>(33,072)</u> | <u>-</u> | <u>(1,081,938)</u> |
| Total capital assets being depreciated, net..... | <u>503,970</u> | <u>1,293</u> | <u>-</u> | <u>505,263</u> |
| Total recreation enterprise fund capital assets, net..... | <u>\$ 538,335</u> | <u>\$ 162,889</u> | <u>\$ (34,365)</u> | <u>\$ 666,859</u> |
| Brook School Apartment Enterprise Fund: | | | | |
| | Beginning Balance | Increases | Decreases | Ending Balance |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings and improvements..... | \$ 8,685,808 | \$ 313,302 | \$ - | \$ 8,999,110 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings and improvements..... | (2,291,580) | (242,569) | - | (2,534,149) |
| Total Brook School Apartment enterprise fund capital assets, net | <u>\$ 6,394,228</u> | <u>\$ 70,733</u> | <u>\$ -</u> | <u>\$ 6,464,961</u> |

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

| | |
|--|---------------------|
| Governmental Activities: | |
| General government..... | \$ 795,405 |
| Public safety..... | 485,681 |
| Education..... | 4,954,457 |
| Public works..... | 1,074,420 |
| Health & human services..... | 78,543 |
| Public library..... | <u>111,730</u> |
| Total depreciation expense - governmental activities..... | <u>\$ 7,500,236</u> |
| Business-Type Activities: | |
| Water..... | \$ 286,865 |
| Recreation..... | 33,072 |
| Brook School Apartments..... | <u>242,569</u> |
| Total depreciation expense - business-type activities..... | <u>\$ 562,506</u> |

NOTE 5 – INTERFUND TRANSFERS

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

| Transfers Out: | Transfers In: | | | | | | Total |
|---|-------------------|------------------|-----------------------------|-----------------------|----------------------------|------------------------------|---------------------|
| | General Fund | Capital Projects | Nonmajor Governmental Funds | Water Enterprise Fund | Recreation Enterprise Fund | Brook School Apartments Fund | |
| General Fund..... | \$ - | \$ 98,250 | \$ 315,308 | \$ 60,158 | \$ 1,021,297 | \$ 1,801 | \$ 1,496,814 (1) |
| Community Preservation..... | - | - | - | - | - | 209,300 | 209,300 (1) |
| Nonmajor Governmental Funds..... | 173,867 | - | - | - | - | - | 173,867 (2) |
| Water Enterprise Fund..... | 321,191 | - | 26,262 | - | - | - | 347,453 (3) |
| Brook School Apartments Enterprise Fund.... | 208,270 | - | - | - | - | - | 208,270 (3) |
| Total..... | <u>\$ 703,328</u> | <u>\$ 98,250</u> | <u>\$ 341,570</u> | <u>\$ 60,158</u> | <u>\$ 1,021,297</u> | <u>\$ 211,101</u> | <u>\$ 2,435,704</u> |

- (1) Transfers of \$98,250 to the capital project fund for the BAN pay down; \$315,308 to receipts reserved for appropriation for debt premiums; \$55,500 to the water enterprise fund for debt service; \$209,300 to the Brook School Apartments enterprise fund for debt service; and a \$1,014,069 subsidy to the recreation enterprise fund. Also included are transfers for merit pay of \$7,228 to the recreation enterprise fund, \$4,658 to the water enterprise fund, and \$1,801 to the Brook School Apartments enterprise fund.
- (2) Budgeted transfers to the general fund from cemetery perpetual care, well litigation, and the Josiah Smith tavern.
- (3) Budgeted transfers to the general fund from the water and Brook School Apartments enterprise funds for indirect costs, as well as a transfer from the water enterprise fund of \$26,262 to receipts reserved for appropriation for debt premiums.

NOTE 6 – SHORT-TERM FINANCING

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

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

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

| Type | Purpose | Rate (%) | Due Date | Balance at June 30, 2016 | Renewed/ Issued | Retired/ Redeemed | Balance at June 30, 2017 |
|------------------------------------|-----------------------------|----------|----------|--------------------------|---------------------|---------------------|--------------------------|
| Governmental Activities: | | | | | | | |
| BAN | Bond Anticipation Note..... | 2.00 | 2/3/2017 | \$ 6,406,193 | \$ - | \$ 6,406,193 | \$ - |
| BAN | Bond Anticipation Note..... | 2.15 | 2/2/2018 | - | 2,689,500 | - | 2,689,500 |
| Total Governmental Activities..... | | | | <u>\$ 6,406,193</u> | <u>\$ 2,689,500</u> | <u>\$ 6,406,193</u> | <u>\$ 2,689,500</u> |

Business-Type Activities:

Water Enterprise Fund:

| | | | | | | | |
|-----|-------------------------------------|------|----------|-------------------|-------------------|-------------------|-------------------|
| BAN | Bond Anticipation Note..... | 2.00 | 2/3/2017 | \$ 472,000 | \$ - | \$ 472,000 | \$ - |
| BAN | Bond Anticipation Note..... | 2.15 | 2/2/2018 | - | 500,000 | - | 500,000 |
| | Total Business-Type Activities..... | | | <u>\$ 472,000</u> | <u>\$ 500,000</u> | <u>\$ 472,000</u> | <u>\$ 500,000</u> |

NOTE 7 – LONG-TERM DEBT

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

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

Bonds and Notes Payable Schedule – Governmental Funds

| Project | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2016 | Issued | Redeemed | Outstanding at June 30, 2017 |
|--|--------------------|----------------------|-------------------|------------------------------|----------------------|------------------------|------------------------------|
| Municipal Purpose Bonds of 2007..... | 2027 | \$ 6,840,000 | 3.50 - 4.00 | \$ 3,530,000 | \$ - | \$ (3,530,000) | \$ - |
| Municipal Purpose Bonds of 2010..... | 2026 | 4,666,569 | 2.64 | 1,699,000 | - | (1,399,000) | 300,000 |
| Municipal Purpose Bonds of 2011..... | 2030 | 18,792,271 | 2.00 - 5.00 | 11,794,200 | - | (9,705,000) | 2,089,200 |
| Municipal Purpose Refunding Bonds of 2011..... | 2021 | 2,761,000 | 2.00 - 2.50 | 1,160,000 | - | (290,000) | 870,000 |
| Municipal Purpose Bonds of 2012..... | 2028 | 1,974,332 | 2.00 - 2.63 | 1,300,000 | - | (120,000) | 1,180,000 |
| Municipal Purpose Refunding Bonds of 2012..... | 2028 | 3,165,000 | 2.00 - 5.00 | 1,555,000 | - | (377,000) | 1,178,000 |
| Municipal Purpose Bonds of 2013..... | 2038 | 18,661,334 | 1.00 - 4.00 | 16,366,000 | - | (763,000) | 15,603,000 |
| Municipal Purpose Bonds of 2014..... | 2039 | 5,000,000 | 2.00 - 5.00 | 4,600,000 | - | (200,000) | 4,400,000 |
| Municipal Purpose Refunding Bonds of 2014..... | 2026 | 13,580,000 | 2.00 - 5.00 | 10,033,000 | - | (1,717,000) | 8,316,000 |
| Municipal Purpose Bonds of 2015..... | 2040 | 22,354,000 | 2.50 - 5.00 | 21,399,000 | - | (954,000) | 20,445,000 |
| Municipal Purpose Refunding Bonds of 2015..... | 2025 | 890,000 | 2.50 - 5.00 | 805,000 | - | (85,000) | 720,000 |
| Municipal Purpose Bonds of 2016..... | 2036 | 4,302,400 | 2.00 - 5.00 | 4,302,400 | - | (291,400) | 4,011,000 |
| Municipal Purpose Refunding Bonds of 2017..... | 2030 | 12,890,000 | 1.75 - 4.00 | - | 12,890,000 | (355,000) | 12,535,000 |
| Municipal Purpose Bonds of 2017..... | 2044 | 6,007,658 | 3.00 - 5.00 | - | 6,007,658 | - | 6,007,658 |
| Total governmental bonds payable..... | | | | 78,543,600 | 18,897,658 | (19,786,400) | 77,654,858 |
| Add: Unamortized premium..... | | | | 3,171,184 | 1,448,337 | (685,575) | 3,933,946 |
| Total governmental bonds payable, net..... | | | | <u>\$ 81,714,784</u> | <u>\$ 20,345,995</u> | <u>\$ (20,471,975)</u> | <u>\$ 81,588,804</u> |

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

| Year | Principal | Interest | Total |
|----------------|----------------------|----------------------|--------------------|
| 2018.....\$ | 6,623,958 \$ | 3,050,771 \$ | 9,674,729 |
| 2019..... | 6,233,400 | 2,761,202 | 8,994,602 |
| 2020..... | 6,054,000 | 2,163,394 | 8,217,394 |
| 2021..... | 5,091,300 | 1,913,358 | 7,004,658 |
| 2022..... | 4,752,200 | 1,695,240 | 6,447,440 |
| 2023..... | 4,724,400 | 1,487,044 | 6,211,444 |
| 2024..... | 4,730,800 | 1,295,623 | 6,026,423 |
| 2025..... | 4,443,500 | 1,129,695 | 5,573,195 |
| 2026..... | 3,956,600 | 1,002,869 | 4,959,469 |
| 2027..... | 3,333,300 | 902,795 | 4,236,095 |
| 2028..... | 3,053,000 | 827,303 | 3,880,303 |
| 2029..... | 2,892,700 | 745,352 | 3,638,052 |
| 2030..... | 2,352,400 | 669,578 | 3,021,978 |
| 2031..... | 2,143,000 | 604,940 | 2,747,940 |
| 2032..... | 2,147,700 | 542,290 | 2,689,990 |
| 2033..... | 2,147,300 | 477,510 | 2,624,810 |
| 2034..... | 2,076,900 | 412,090 | 2,488,990 |
| 2035..... | 2,040,500 | 348,532 | 2,389,032 |
| 2036..... | 2,045,100 | 285,818 | 2,330,918 |
| 2037..... | 1,893,700 | 222,214 | 2,115,914 |
| 2038..... | 1,898,200 | 162,140 | 2,060,340 |
| 2039..... | 1,217,800 | 100,664 | 1,318,464 |
| 2040..... | 1,016,300 | 59,582 | 1,075,882 |
| 2041..... | 190,800 | 26,556 | 217,356 |
| 2042..... | 194,200 | 20,114 | 214,314 |
| 2043..... | 198,700 | 13,560 | 212,260 |
| 2044..... | 203,100 | 3,427 | 206,527 |
| Totals..... \$ | <u>77,654,858</u> \$ | <u>22,923,661</u> \$ | <u>100,578,519</u> |

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During 2017, approximately \$666,000 of such assistance was received. Approximately \$1,997,000 will be received in future years. Of this amount, approximately \$97,000 represents reimbursement of long-term interest costs, and approximately \$1,899,000 represents reimbursement of approved construction costs. Accordingly, a \$1,899,000 intergovernmental receivable and corresponding unavailable revenue have been reported in the governmental fund financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

In 2005 the Commonwealth enacted legislation that changed the method for funding the school building assistance program. Under the new program, the assistance is paid to support construction costs and reduce the total debt service of the Town. Through the end of 2017 the Town has recorded capital grant proceeds totaling \$8.0 million from the MSBA, which is equal to 34.54% of approved construction costs submitted for reimbursement for the Field School. During 2017, the Town received the final payment of \$300,000 for eligible costs incurred as of year-end.

Bonds and Notes Payable Schedule – Water Enterprise Funds

| | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2016 | Issued | Redeemed | Outstanding at June 30, 2017 |
|--|-----------------------|----------------------------|-------------------------|------------------------------------|--------------|----------------|------------------------------------|
| Water Projects | | | | | | | |
| Municipal Purpose Bonds of 2010..... | 2026 | \$ 919,422 | 2.64 | \$ 311,000 | \$ - | \$ (211,000) | \$ 100,000 |
| Municipal Purpose Bonds of 2011..... | 2030 | 2,985,000 | 2.00 - 5.00 | 2,140,800 | - | (1,810,000) | 330,800 |
| Municipal Purpose Refunding Bonds of 2012..... | 2021 | 115,000 | 2.00 - 2.63 | 60,000 | - | (13,000) | 47,000 |
| Municipal Purpose Bonds of 2013..... | 2033 | 432,000 | 1.00 - 4.00 | 354,000 | - | (22,000) | 332,000 |
| Municipal Purpose Refunding Bonds of 2014..... | 2017 | 141,000 | 2.00 - 5.00 | 42,500 | - | (42,500) | - |
| MWRA Loan..... | 2025 | 900,000 | 0.00 | 810,000 | - | (90,000) | 720,000 |
| Municipal Purpose Bonds of 2016..... | 2040 | 253,000 | 2.50 - 5.00 | 241,000 | - | (11,000) | 230,000 |
| Municipal Purpose Bonds of 2017..... | 2023 | 87,500 | 5.00 | 87,500 | - | (13,500) | 74,000 |
| MWRA Loan..... | 2026 | 105,000 | 0.00 | 105,000 | - | (10,500) | 94,500 |
| Municipal Purpose Refunding Bonds of 2017..... | 2030 | 1,755,000 | 1.75 - 4.00 | - | 1,755,000 | - | 1,755,000 |
| Municipal Purpose Bonds of 2017..... | 2044 | 465,100 | 3.00 - 5.00 | - | 465,100 | - | 465,100 |
| Total water enterprise bonds payable..... | | | | 4,151,800 | 2,220,100 | (2,223,500) | 4,148,400 |
| Add: Unamortized premium..... | | | | - | 155,955 | (14,229) | 141,726 |
| Total water enterprise bonds payable, net..... | | | | \$ 4,151,800 | \$ 2,376,055 | \$ (2,237,729) | \$ 4,290,126 |

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

| Year | Principal | Interest | Total |
|-------------|--------------|------------|--------------|
| 2018..... | \$ 433,200 | \$ 177,138 | \$ 610,338 |
| 2019..... | 400,500 | 162,396 | 562,896 |
| 2020..... | 339,300 | 84,491 | 423,791 |
| 2021..... | 331,500 | 75,211 | 406,711 |
| 2022..... | 324,800 | 65,780 | 390,580 |
| 2023..... | 322,000 | 56,536 | 378,536 |
| 2024..... | 310,300 | 47,760 | 358,060 |
| 2025..... | 312,600 | 39,750 | 352,350 |
| 2026..... | 218,900 | 33,625 | 252,525 |
| 2027..... | 201,700 | 29,430 | 231,130 |
| 2028..... | 197,000 | 25,114 | 222,114 |
| 2029..... | 187,300 | 20,524 | 207,824 |
| 2030..... | 107,600 | 16,777 | 124,377 |
| 2031..... | 47,000 | 14,618 | 61,618 |
| 2032..... | 47,300 | 13,136 | 60,436 |
| 2033..... | 47,700 | 11,716 | 59,416 |
| 2034..... | 28,100 | 10,286 | 38,386 |
| 2035..... | 29,500 | 9,444 | 38,944 |
| 2036..... | 29,900 | 8,558 | 38,458 |
| 2037..... | 31,300 | 7,636 | 38,936 |
| 2038..... | 31,800 | 6,660 | 38,460 |
| 2039..... | 32,200 | 5,624 | 37,824 |
| 2040..... | 33,700 | 4,578 | 38,278 |
| 2041..... | 24,200 | 3,482 | 27,682 |
| 2042..... | 25,800 | 2,668 | 28,468 |
| 2043..... | 26,300 | 1,796 | 28,096 |
| 2044..... | 26,900 | 908 | 27,808 |
| Totals..... | \$ 4,148,400 | \$ 935,642 | \$ 5,084,042 |

Bonds and Notes Payable Schedule – Brook School Apartments Enterprise Funds

| | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2016 | Issued | Redeemed | Outstanding at June 30, 2017 |
|--|-----------------------|----------------------------|-------------------------|------------------------------------|--------|--------------|------------------------------------|
| Brook School Apartments Projects | | | | | | | |
| Municipal Purpose Bonds of 2014..... | 2034 | \$ 1,375,000 | 2.00 - 5.00 | \$ 1,235,000 | \$ - | \$ (70,000) | \$ 1,165,000 |
| Municipal Purpose Refunding Bonds of 2014..... | 2023 | 1,199,000 | 2.00 - 5.00 | 934,500 | - | (130,500) | 804,000 |
| Municipal Purpose Refunding Bonds of 2016..... | 2017 | 410,000 | 2.50 - 5.00 | 205,000 | - | (205,000) | - |
| Total Brook School Apartments enterprise bonds payable..... | | | | 2,374,500 | - | (405,500) | 1,969,000 |
| Add: Unamortized premium..... | | | | 112,480 | - | (27,993) | 84,487 |
| Total Brook School Apartments enterprise bonds payable, net..... | | | | \$ 2,486,980 | \$ - | \$ (433,493) | \$ 2,053,487 |

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

| Year | Principal | Interest | Total |
|-------------|--------------|------------|--------------|
| 2018..... | \$ 201,100 | \$ 78,712 | \$ 279,812 |
| 2019..... | 201,600 | 69,358 | 270,958 |
| 2020..... | 202,200 | 59,978 | 262,178 |
| 2021..... | 202,700 | 50,568 | 253,268 |
| 2022..... | 203,500 | 41,132 | 244,632 |
| 2023..... | 204,100 | 32,358 | 236,458 |
| 2024..... | 74,400 | 23,990 | 98,390 |
| 2025..... | 74,400 | 22,020 | 96,420 |
| 2026..... | 70,000 | 19,700 | 89,700 |
| 2027..... | 70,000 | 17,600 | 87,600 |
| 2028..... | 70,000 | 15,500 | 85,500 |
| 2029..... | 70,000 | 13,400 | 83,400 |
| 2030..... | 65,000 | 11,212 | 76,212 |
| 2031..... | 65,000 | 9,100 | 74,100 |
| 2032..... | 65,000 | 6,906 | 71,906 |
| 2033..... | 65,000 | 4,632 | 69,632 |
| 2034..... | 65,000 | 2,356 | 67,356 |
| Totals..... | \$ 1,969,000 | \$ 478,522 | \$ 2,447,522 |

In order to take advantage of favorable interest rates, the Town issued \$14,645,000 of general obligation refunding bonds on October 20, 2016. The transaction was both a current refunding and an advanced refunding.

For the current refunding \$3,330,000 and a premium of \$286,000 was used to refund the existing debt of \$3,530,000. 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. This transaction resulted in an economic gain of \$377,732 and a reduction of \$412,135 in future debt service payments.

For the advanced refunding \$11,315,000 and a \$1.1 million premium were used to advance refunded \$11,515,000 of governmental and water enterprise fund bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 13 years

by \$1,186,917 and resulted in an economic gain of \$1,031,895. At June 30, 2017, approximately \$11,515,000 of bonds outstanding from the advance refunding are considered defeased.

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 |
|---|----------------------|
| Field School replacement..... | \$ 7,811,092 |
| Case Estates..... | 6,365,000 |
| Case Campus roadways, walkways and parking..... | 1,150,000 |
| Brook School Apartments..... | 226,000 |
| Affordable housing..... | 250,000 |
| Wellesley Street pump station..... | 70,000 |
| School improvements..... | 620,000 |
| High School field renovations..... | 500,000 |
| Drainage improvements..... | 1,450,000 |
| Water main improvements..... | 701,000 |
| Water meter reading system..... | 860,000 |
| Computer hardware..... | 92,000 |
| Town Center design and planning..... | 988,000 |
| Cooks Pond dam..... | 170,500 |
| Proctor Field rehabilitation..... | 4,465,000 |
| Total..... | <u>\$ 25,718,592</u> |

Changes in Long-term Liabilities

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|--|-----------------------|----------------------|------------------------|-----------------------|---------------------|
| Governmental Activities: | | | | | |
| Long-term bonds payable..... | \$ 78,543,600 | \$ 18,897,658 | \$ (19,786,400) | \$ 77,654,858 | \$ 6,623,958 |
| Add: unamortized premium..... | 3,171,184 | 1,448,337 | (685,575) | 3,933,946 | 636,749 |
| Total bonds payable..... | <u>81,714,784</u> | <u>20,345,995</u> | <u>(20,471,975)</u> | <u>81,588,804</u> | <u>7,260,707</u> |
| Landfill closure..... | 100,000 | - | (25,000) | 75,000 | 25,000 |
| Compensated absences..... | 2,459,000 | 1,209,000 | (1,373,000) | 2,295,000 | 1,306,000 |
| Other postemployment benefits..... | 17,314,000 | 3,520,000 | (1,760,000) | 19,074,000 | - |
| Net pension liability..... | <u>57,523,403</u> | <u>9,048,806</u> | <u>(4,463,751)</u> | <u>62,108,458</u> | <u>-</u> |
| Total governmental activity long-term liabilities..... | <u>\$ 159,111,187</u> | <u>\$ 34,123,801</u> | <u>\$ (28,093,726)</u> | <u>\$ 165,141,262</u> | <u>\$ 8,591,707</u> |
| Business-Type Activities: | | | | | |
| Bonds payable..... | \$ 6,526,300 | \$ 2,220,100 | \$ (2,629,000) | \$ 6,117,400 | \$ 634,300 |
| Add: unamortized premium..... | 112,480 | 155,955 | (42,222) | 226,213 | 47,226 |
| Total bonds payable..... | <u>6,638,780</u> | <u>2,376,055</u> | <u>(2,671,222)</u> | <u>6,343,613</u> | <u>681,526</u> |
| Compensated absences..... | 162,000 | 140,000 | (96,000) | 206,000 | 112,000 |
| Other postemployment benefits..... | 368,000 | 172,000 | (86,000) | 454,000 | - |
| Net pension liability..... | <u>1,155,276</u> | <u>248,648</u> | <u>(94,135)</u> | <u>1,309,789</u> | <u>-</u> |
| Total business-type activity long-term liabilities..... | <u>\$ 8,324,056</u> | <u>\$ 2,936,703</u> | <u>\$ (2,947,357)</u> | <u>\$ 8,313,402</u> | <u>\$ 793,526</u> |

Long-term liabilities related to both governmental and business-type activities are normally paid from the general fund and the enterprise funds, respectively.

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

In addition to the nonspendable fund balance, the Town classifies spendable fund balances based on a hierarchy of spending constraints as follows:

- 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.

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes on an as needed basis. 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. The stabilization fund balance can be used for general and/or capital purposes upon approval of Town Meeting. Additions to and withdrawals from the funds can only be made upon Town Meeting approval. In accordance with Massachusetts General Law the Town has established a general stabilization fund and a pension liability stabilization fund to assist the Town in funding it's liability for pension benefits.

At year end, the balance of the general stabilization fund is approximately \$3.1 million and the balance of the pension liability stabilization fund is approximately \$411,000. These stabilization funds are reported as unassigned fund balance within the general fund.

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

| | General | Community Preservation Fund | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------------------|---------------------|-----------------------------------|--------------------------------|
| FUND BALANCES: | | | | | |
| Nonspendable: | | | | | |
| Permanent fund principal..... | \$ - | \$ - | \$ - | 8,679,021 | \$ 8,679,021 |
| Restricted for: | | | | | |
| Community preservation..... | - | 11,876,252 | - | - | 11,876,252 |
| Capital projects..... | - | - | 3,163,177 | - | 3,163,177 |
| School lunch..... | - | - | - | 384,874 | 384,874 |
| School grants..... | - | - | - | 1,053,736 | 1,053,736 |
| School gifts..... | - | - | - | 409,409 | 409,409 |
| School revolving funds..... | - | - | - | 481,310 | 481,310 |
| Town grants..... | - | - | - | 152,615 | 152,615 |
| Town gifts..... | - | - | - | 1,026,124 | 1,026,124 |
| Receipts reserved for appropriation..... | - | - | - | 844,736 | 844,736 |
| Expendable trust funds..... | - | - | - | 7,227,785 | 7,227,785 |
| Committed to: | | | | | |
| General government..... | 103,326 | - | - | - | 103,326 |
| Facilities town-wide..... | 475,430 | - | - | - | 475,430 |
| Public safety..... | 86,194 | - | - | - | 86,194 |
| Education..... | 131,872 | - | - | - | 131,872 |
| Public works..... | 1,906,841 | - | - | - | 1,906,841 |
| Insurance..... | 179,843 | - | - | - | 179,843 |
| Fringe benefits..... | 208,219 | - | - | - | 208,219 |
| Assigned to: | | | | | |
| General government..... | 85,879 | - | - | - | 85,879 |
| Facilities town-wide..... | 61,984 | - | - | - | 61,984 |
| Public safety..... | 5,683 | - | - | - | 5,683 |
| Education..... | 192,787 | - | - | - | 192,787 |
| Public works..... | 43,990 | - | - | - | 43,990 |
| Public library..... | 911 | - | - | - | 911 |
| Insurance..... | 4,485 | - | - | - | 4,485 |
| Fringe benefits..... | 69,677 | - | - | - | 69,677 |
| Free cash used in FY18..... | 2,300,000 | - | - | - | 2,300,000 |
| Unassigned..... | 10,259,964 | - | (753,992) | - | 9,505,972 |
| TOTAL FUND BALANCES..... | \$ 16,117,085 | \$ 11,876,252 | \$ 2,409,185 | \$ 20,259,610 | \$ 50,662,132 |

NOTE 9 – RISK FINANCING

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

NOTE 10 – PENSION PLAN

Plan Descriptions

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

The System issues a publicly available, audited financial report. That report may be obtained by contacting the System located at 25 Linnell Circle, Billerica, Massachusetts 01821 or by visiting www.mass.gov/perac or <http://www.middlesexretirement.org>.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2016. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$7,988,721 is reported in the general fund as intergovernmental revenue and employee benefits in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$78,315,763 as of the measurement date.

Benefits Provided

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

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

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

There were no changes in pension benefit terms that effect measurement of the total pension liability as of December 31, 2016.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the MCERS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2016 was \$4,557,886, 23.95% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2017, the Town reported a liability of \$63,418,247 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2016, the Town's proportion was 4.476%, which changed 0.073% from its proportion measured at December 31, 2015.

Pension Expense

For the year ended June 30, 2017, the Town recognized pension expense of \$6,693,640. At June 30, 2017, the Town reported deferred outflows of resources related to pensions of \$6,374,044 and deferred inflows of resources related to pensions of \$1,218,258. The balances of deferred outflows and inflows at June 30, 2017 consist of the following:

| Deferred category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|---|--------------------------------------|-------------------------------------|--------------|
| Differences between expected and actual experience..... | \$ 285,616 | \$ - | \$ 285,616 |
| Change of assumptions..... | 3,455,436 | - | 3,455,436 |
| Difference between projected and actual investment earnings.... | 2,632,992 | - | 2,632,992 |
| Changes in proportionate share of contributions..... | - | (1,218,258) | (1,218,258) |
| Total Deferred Outflows/(Inflows) of Resources..... | \$ 6,374,044 | \$ (1,218,258) | \$ 5,155,786 |

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

Year ended June 30:

| | |
|------------|--------------|
| 2018..... | \$ 1,459,641 |
| 2019..... | 1,459,641 |
| 2020..... | 1,414,243 |
| 2021..... | 822,261 |
| Total..... | \$ 5,155,786 |

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The System’s expected future real rate of return of 4.25% is added to the expected inflation of 3.5% to produce the long-term nominal expected rate of return of 7.75%. Best estimates of geometric real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2016, are summarized in the following table:

| Asset Class | Long-Term Expected Asset Allocation | Long-Term Expected Real Rate of Return |
|--------------------------------------|--|---|
| Domestic equity..... | 19.50% | 4.00% |
| International equity..... | 16.80% | 4.33% |
| Emerging markets equity..... | 6.90% | 6.11% |
| Core fixed income..... | 12.30% | 0.25% |
| Value-added fixed income..... | 8.30% | 3.76% |
| Private equity..... | 11.10% | 6.00% |
| Real estate..... | 10.00% | 3.00% |
| Timber/natural resources..... | 3.60% | 2.50% |
| Hedge funds..... | 9.00% | 2.98% |
| Liquidating portfolios..... | 0.40% | 2.98% |
| Portfolio completion strategies..... | 1.10% | 2.98% |
| Overlay..... | 1.00% | 2.98% |
| | 100.00% | |

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

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

| | 1% Decrease (6.75%) | Current Discount (7.75%) | 1% Increase (8.75%) |
|--|------------------------|--------------------------------|------------------------|
| The Town's proportionate share of the net pension liability..... | \$ 76,583,290 | \$ 63,418,247 | \$ 52,291,984 |

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

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Funding Policy – The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes between 67 to 85 percent, depending on coverage selected, for eligible retired plan members. Plan members receiving benefits contribute the remaining 15 to 33 percent of their premium costs for health, life and dental insurance. The medical coverage continues to the spouse after the death of the retiree provided the spouse makes the required contributions.

The Commonwealth of Massachusetts passed legislation that enabled the Town to establish a postemployment benefit trust fund for the purpose of accumulating assets to pre-fund its OPEB liabilities. During 2017, the Town pre-funded future OPEB liabilities totaling \$1.7 million by contributing funds to the OPEB fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Fund financial statements. As of June 30, 2017, the balance of this fund totaled \$13.8 million.

The annual money-weighted rate of return on OPEB plan investments was 8.03%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

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

| | |
|--|---------------------|
| Active members..... | 630 |
| Inactive members currently receiving benefits..... | <u>453</u> |
| Total..... | <u><u>1,083</u></u> |

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

| | |
|--|-----------------------------|
| Total OPEB liability..... | \$ 77,955,919 |
| Less: OPEB plan's fiduciary net position..... | <u>(13,787,257)</u> |
| Net OPEB liability..... | <u><u>\$ 64,168,662</u></u> |
| The OPEB plan's fiduciary net position as a percentage of the total OPEB liability..... | 17.69% |

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

| | |
|---------------------------------|--|
| Valuation date..... | July 1, 2016 |
| Actuarial cost method..... | Entry Age Normal |
| Asset valuation method..... | Market value of assets as of the reporting date, June 30, 2017. |
| Investment rate of return..... | 6.25%, net of investment expenses, including 3.0% inflation |
| Inflation..... | 3.0% |
| Healthcare cost trend rate..... | 8.0% for 2016, decreasing 1.0% per year to an ultimate rate of 5.0% for 2019 and later years. |
| Mortality Rate: | |
| Pre-Retirement..... | For general and public safety employees, the RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using Scale BB is used. For teachers, the RP-2014 Employees Mortality Table, base year 2014, projected with generational mortality improvement using Scale BB is used. |
| Post-Retirement..... | For general and public safety employees, the RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using Scale BB is used. For teachers, the RP-2014 Healthy Annuitant Mortality Table, base year 2014, projected with generational mortality improvement using Scale BB is used. |

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 plan.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The System’s expected future real rate of return of 3.25% is added to the expected inflation of 3% to produce the long-term expected nominal rate of return of 6.25%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------|--|---|
| Domestic equity..... | 30.00% | 5.05% |
| International equity..... | 15.00% | 5.80% |
| Domestic bonds..... | 25.00% | 2.47% |
| International bonds..... | 10.00% | 2.40% |
| Alternatives..... | 20.00% | 4.80% |
| | <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 6.25%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

| | 1% Decrease (5.25%) | Current Discount Rate (6.25%) | 1% Increase (7.25%) |
|-------------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability..... | \$ 77,239,509 | \$ 64,168,662 | \$ 53,764,239 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend – The following table presents the Plan’s net OPEB liability, calculated using the current healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (7% year 1 decreasing to 4%) or 1-percentage point higher (9% year 1 decreasing to 6%) than the current healthcare cost trend rates:

| | 1% Decrease 7% Year 1 Decreasing to 4% | Healthcare Cost Trend Rates 8% Year 1 Decreasing to 5% | 1% Increase 9% Year 1 Decreasing to 6% |
|-------------------------|--|---|--|
| Net OPEB liability..... | \$ 52,206,468 | \$ 64,168,662 | \$ 79,602,358 |

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

The components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation are summarized in the following table:

| | |
|--|----------------------|
| Annual required contribution..... | \$ 5,941,000 |
| Interest on net OPEB obligation..... | 1,061,000 |
| Adjustments to annual required contribution..... | <u>(730,000)</u> |
| Annual OPEB cost (expense)..... | 6,272,000 |
| Contributions made..... | <u>(4,426,000)</u> |
| Increase in net OPEB obligation..... | 1,846,000 |
| Net OPEB obligation - beginning of year..... | <u>17,682,000</u> |
| Net OPEB obligation - end of year..... | <u>\$ 19,528,000</u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and two previous years was as follows:

| Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------|------------------|--|---------------------|
| 6/30/2017 | \$ 6,272,000 | 70.6% | \$ 19,528,000 |
| 6/30/2016 | 5,900,000 | 80.4% | 17,682,000 |
| 6/30/2015 | 5,572,000 | 81.7% | 16,524,000 |

Funded Status and Funding Progress – The funded status of the plan as of the most recent actuarial valuation dates is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Actuarial Accrued Liability (AAL) (B) | Unfunded AAL (UAAL) (B-A) | Funded Ratio (A/B) | Covered Payroll (C) | UAAL as a Percentage of Covered Payroll ((B-A)/C) |
|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
| 7/1/2016 | \$ 11,223,287 | \$ 76,091,100 | \$ 64,867,813 | 14.75% | \$ 40,219,980 | 161.3% |
| 7/1/2014 | 7,625,925 | 74,974,967 | 67,349,042 | 10.17% | 40,335,370 | 167.0% |
| 7/1/2012 | 3,510,050 | 79,889,296 | 76,379,246 | 4.39% | 41,413,928 | 184.4% |

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 entry age normal cost method. The actuarial assumptions included a 6.25% 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 8.0% initially, graded to 5.0% over two years. The UAAL is being amortized over a closed 30 year period, with amortization payments increasing at 4.5% per year. The remaining amortization period at July 1, 2016 is 30 years.

NOTE 12 – LANDFILL CLOSURE

State and federal laws and regulations require the Town to construct a final capping system on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town has reflected a \$75,000 post-closure care liability at June 30, 2017 as an obligation of governmental funds. This amount is based upon estimates of what it would cost to perform all post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Its cost was estimated based on annual sampling for the current monitoring network at the site and estimated costs to maintain the integrity of the landfill cap during the post-closure period.

NOTE 13 – COMMITMENTS AND 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 the Town expects such amounts, if any, to be immaterial.

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

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 22, 2017, which is the date the financial statements were available to be issued.

NOTE 15 – FUTURE IMPLEMENTATION OF 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 Comparison Schedule

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

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

YEAR ENDED JUNE 30, 2017

| | Budgeted Amounts | | Actual Budgetary Amounts | Amounts Carried Forward To Next Year | Variance to Final Budget |
|--|----------------------|----------------------|--------------------------------|---|-----------------------------|
| | Original Budget | Final Budget | | | |
| REVENUES: | | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 73,221,831 | \$ 73,221,831 | \$ 73,446,890 | \$ - | \$ 225,059 |
| Tax liens..... | - | - | 86,809 | - | 86,809 |
| Motor vehicle excise taxes..... | 2,544,000 | 2,544,000 | 3,043,210 | - | 499,210 |
| Charges for services..... | 340,000 | 340,000 | 358,392 | - | 18,392 |
| Penalties and interest on taxes..... | 140,000 | 140,000 | 305,941 | - | 165,941 |
| Payments in lieu of taxes..... | 36,795 | 36,795 | 36,795 | - | - |
| Licenses and permits..... | 1,110,000 | 1,110,000 | 1,080,575 | - | (29,425) |
| Fines and forfeitures..... | 100,000 | 100,000 | 96,434 | - | (3,566) |
| Fees and rentals..... | 275,000 | 275,000 | 374,004 | - | 99,004 |
| Intergovernmental..... | 4,365,061 | 4,365,061 | 4,352,591 | - | (12,470) |
| Departmental and other..... | 460,000 | 460,000 | 754,479 | - | 294,479 |
| Investment income..... | 60,000 | 60,000 | 215,315 | - | 155,315 |
| TOTAL REVENUES..... | 82,652,687 | 82,652,687 | 84,151,435 | - | 1,498,748 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government..... | 2,997,613 | 2,349,940 | 1,929,544 | 189,205 | 231,191 |
| Facilities town-wide..... | 2,076,786 | 2,084,263 | 1,444,450 | 537,414 | 102,399 |
| Finance..... | 861,286 | 900,412 | 824,024 | - | 76,388 |
| Planning, land use & inspectional services..... | 771,973 | 802,525 | 754,943 | - | 47,582 |
| Public safety..... | 6,888,174 | 7,196,148 | 6,854,474 | 91,877 | 249,797 |
| Education..... | 39,531,239 | 39,588,693 | 38,197,718 | 324,659 | 1,066,316 |
| Public works..... | 6,259,544 | 6,654,304 | 4,570,918 | 1,950,831 | 132,555 |
| Health & human services..... | 783,783 | 715,177 | 686,580 | - | 28,597 |
| Public Library..... | 1,363,597 | 1,368,694 | 1,290,387 | 911 | 77,396 |
| Insurance..... | 986,814 | 878,814 | 641,144 | 184,328 | 53,342 |
| Fringe benefits..... | 17,473,269 | 17,473,269 | 16,799,194 | 277,896 | 396,179 |
| State and county charges..... | 295,111 | 295,111 | 300,620 | - | (5,509) |
| Debt service: | | | | | |
| Principal..... | 6,205,500 | 6,230,500 | 6,230,500 | - | - |
| Interest..... | 2,923,345 | 2,786,016 | 2,766,091 | - | 19,925 |
| TOTAL EXPENDITURES..... | 89,418,034 | 89,323,866 | 83,290,587 | 3,557,121 | 2,476,158 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (6,765,347) | (6,671,179) | 860,848 | (3,557,121) | 3,974,906 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Use of prior year fund balance reserve for articles and encumbrances..... | 3,752,858 | 3,752,858 | - | - | (3,752,858) |
| Use of prior year fund balance reserve for debt service.... | 265,871 | 265,871 | - | - | (265,871) |
| Use of free cash..... | 2,220,000 | 2,660,000 | - | - | (2,660,000) |
| Use of overlay surplus..... | 335,000 | 335,000 | - | - | (335,000) |
| Premium from issuance of bonds and notes..... | 122,726 | 122,726 | 319,958 | - | 197,232 |
| Transfers in..... | 702,961 | 702,961 | 703,328 | - | 367 |
| Transfers out..... | (634,069) | (1,168,237) | (1,441,314) | - | (273,077) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 6,765,347 | 6,671,179 | (418,028) | - | (7,089,207) |
| NET CHANGE IN FUND BALANCE..... | - | - | 442,820 | (3,557,121) | (3,114,301) |
| BUDGETARY FUND BALANCE, Beginning of year..... | 12,354,488 | 12,354,488 | 12,354,488 | - | - |
| BUDGETARY FUND BALANCE, End of year..... | \$ 12,354,488 | \$ 12,354,488 | \$ 12,797,308 | \$ (3,557,121) | \$ (3,114,301) |

See notes to required supplementary information.

Pension Plan Schedules

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

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

The Schedule of Special Funding Amounts of the Net Pension Liability related to the Teachers Retirement System presents trend information that discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town teachers; 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.

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

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

| | December 31, 2014 | December 31, 2015 | December 31, 2016 |
|--|----------------------|----------------------|----------------------|
| Town's proportion of the net pension liability (asset)..... | 4.573% | 4.549% | 4.476% |
| Town's proportionate share of the net pension liability (asset)..... \$ | 54,939,016 | \$ 58,678,679 | \$ 63,418,247 |
| Town's covered employee payroll..... \$ | 18,621,858 | \$ 19,366,732 | \$ 19,031,657 |
| Net pension liability as a percentage of covered-employee payroll..... | 295.02% | 302.99% | 333.23% |
| Plan fiduciary net position as a percentage of the total pension liability..... | 47.65% | 46.13% | 45.49% |

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

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS
MIDDLESEX CONTRIBUTORY RETIREMENT SYSTEM

| | June 30, 2015 | June 30, 2016 | June 30, 2017 |
|--|--------------------|--------------------|--------------------|
| Actuarially determined contribution..... | \$ 4,139,155 | \$ 4,270,242 | \$ 4,557,886 |
| Contributions in relation to the actuarially determined contribution..... | <u>(4,139,155)</u> | <u>(4,270,242)</u> | <u>(4,557,886)</u> |
| Contribution deficiency (excess)..... | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll..... | \$ 18,621,858 | \$ 19,366,732 | \$ 19,031,657 |
| Contributions as a percentage of covered- employee payroll..... | 22.23% | 22.05% | 23.95% |

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

See notes to required supplementary information.

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

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

| Year | Commonwealth's 100% Share of the Net Pension Liability Associated with the Town | Town's Expense and Revenue Recognized for the Commonwealth's Support | Plan Fiduciary Net Position as a Percentage of the Total Liability |
|-----------|--|---|---|
| 2017..... | \$ 78,315,763 | \$ 7,988,721 | 52.73% |
| 2016..... | 74,825,908 | 6,069,047 | 55.38% |
| 2015..... | 58,374,297 | 4,055,543 | 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 Benefit 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**

| | June 30, 2017 |
|---|-----------------------------|
| Total OPEB Liability | |
| Service Cost..... | \$ 2,774,232 |
| Interest..... | 4,667,219 |
| Changes of benefit terms..... | - |
| Differences between expected and actual experience..... | - |
| Changes of assumptions..... | - |
| Benefit payments..... | <u>(2,773,623)</u> |
| Net change in total OPEB liability..... | 4,667,828 |
| Total OPEB liability- beginning..... | <u>73,288,091</u> |
| Total OPEB liability- ending (a)..... | <u><u>77,955,919</u></u> |
| Plan fiduciary net position | |
| Contributions- employer | \$ 4,426,140 |
| Net investment income..... | 911,453 |
| Benefit payments..... | <u>(2,773,623)</u> |
| Net change in plan fiduciary net position..... | 2,563,970 |
| Plan fiduciary net position- beginning..... | <u>11,223,287</u> |
| Plan fiduciary net position- ending (b)..... | <u><u>\$ 13,787,257</u></u> |
| Town's net OPEB liability- ending (a)-(b)..... | <u><u>\$ 64,168,662</u></u> |
| Plan fiduciary net position as a percentage of the total OPEB liability..... | 17.69% |
| Covered-employee payroll..... | 41,848,763 |
| Town's net OPEB liability as a percentage of covered-employee payroll..... | 153.33% |

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

See notes to required supplementary information.

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

| | June 30, 2017 |
|--|---------------|
| Actuarially determined contribution..... | \$ 4,426,140 |
| Contributions in relation to the actuarially determined contribution..... | (4,426,140) |
| Contribution deficiency (excess)..... | \$ - |
| Covered-employee payroll..... | \$ 41,848,763 |
| Contributions as a percentage of covered- employee payroll..... | 10.58% |

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

June 30, 2017

| | |
|---|-------|
| Annual money-weighted rate of return, net of investment expense..... | 8.03% |
|---|-------|

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 FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Actuarial Accrued Liability (AAL) Projected Unit Credit (B) | Unfunded AAL (UAAL) (B-A) | Funded Ratio (A/B) | Covered Payroll (C) | UAAL as a Percentage of Covered Payroll ((B-A)/C) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 7/1/2016 | \$ 11,223,287 | \$ 76,091,100 | \$ 64,867,813 | 14.75% | \$ 40,219,980 | 161.3% |
| 7/1/2014 | 7,625,925 | 74,974,967 | 67,349,042 | 10.17% | 40,335,370 | 167.0% |
| 7/1/2012 | 3,510,050 | 79,889,296 | 76,379,246 | 4.39% | 41,413,928 | 184.4% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Year Ended | Annual Required Contribution | Actual Contributions Made | Percentage Contributed |
|---------------|------------------------------------|---------------------------------|---------------------------|
| 2017 | \$ 5,941,000 | \$ 4,426,000 | 74% |
| 2016 | 5,590,000 | 4,742,000 | 85% |
| 2015 | 5,391,000 | 4,552,000 | 84% |
| 2014 | 6,413,000 | 4,031,000 | 63% |
| 2013 | 6,162,000 | 3,850,000 | 62% |
| 2012 | 5,969,000 | 5,369,000 | 90% |

See notes to required supplementary information.

ACTUARIAL METHODS AND ASSUMPTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN

Actuarial Methods:

| | |
|------------------------------------|--|
| Valuation date..... | July 1, 2016 |
| Actuarial cost method..... | Entry age normal cost method |
| Amortization method..... | Amortization payments increasing at 4.5% |
| Remaining amortization period..... | 30 years as of July 1, 2016, closed |

Actuarial Assumptions:

| | |
|-----------------------------------|---|
| Investment rate of return..... | 6.25% per annum |
| Medical/drug cost trend rate..... | 8% initially, graded to 5% over 4 years |

Plan Membership:

| | |
|--|---------------------|
| Current retirees, beneficiaries, and dependents... | 453 |
| Current active members..... | <u>630</u> |
| Total..... | <u><u>1,083</u></u> |

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting adopts the expenditure budget by majority vote.

Increases or transfers between departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a Special Town Meeting.

The majority of the Town’s appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year.

Generally, expenditures may not exceed the legal level of spending 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 Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2017 budget includes approximately \$86.3 million in appropriations and other amounts to be raised and approximately \$3.8 million in encumbrances and appropriations carried over from previous years. During 2017, Town Meeting approved supplemental appropriations totaling \$440,000 for snow and ice control.

The accounting office has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the Town’s 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..... | \$ 442,820 |
| <u>Perspective difference:</u> | |
| Activity of the stabilization funds recorded in the general fund for GAAP..... | (2,765) |
| <u>Basis of accounting differences:</u> | |
| Net change in recording tax refunds payable..... | (186,000) |
| Net increase in revenues due to on-behalf payments..... | 7,988,721 |
| Net increase in recording expenditures due to on-behalf payments..... | <u>(7,988,721)</u> |
| Net change in fund balance, GAAP basis..... | <u>\$ 254,055</u> |

3. Appropriation Deficits

Expenditures exceeded appropriations for state and county assessments. This is based on state assessments which are not required to be raised.

NOTE B – PENSION PLAN

Pension Plan Schedules

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

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

B. Schedule of Town's Contributions

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

E. Changes in Plan Provisions - None

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

Prior to 2012, the Town funded its other postemployment benefits (OPEB) on a pay-as-you-go basis. In 2012, the Town began prefunding a portion of the liability in an irrevocable trust fund. The funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) was 14.75% as of the most recent actuarial valuation. 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.

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.

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

The Schedule of Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

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