

TOWN OF TYNGSBOROUGH, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2018

Town of Tyngsborough, Massachusetts

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Tyngsborough, Massachusetts

Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Tyngsborough, Massachusetts as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Tyngsborough, Massachusetts, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Pension and OPEB schedules appearing on pages 55 to 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting

and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Tyngsborough, Massachusetts' internal control over financial reporting and compliance.

Melanson Heath

February 28, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Tyngsborough, Massachusetts, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities include sewer and ambulance activities.

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

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

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

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for sewer operations, which is considered to be a major fund, as well as ambulance operations, which is considered to be a nonmajor fund.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$14,557,210 (i.e., net position), a change of \$(1,751,724) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$11,688,888, a change of \$3,314,131 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,486,660, a change of \$(397,962) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years (in thousands).

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 15,620	\$ 17,326	\$ 3,623	\$ 5,347	\$ 19,243	\$ 22,673
Capital assets	51,514	52,349	18,611	16,389	70,125	68,738
Total assets	67,134	69,675	22,234	21,736	89,368	91,411
Deferred outflows of resources	3,870	4,575	44	52	3,914	4,627
Long-term liabilities outstanding	55,973	37,422	904	1,155	56,877	38,577
Other liabilities	3,112	7,816	9,975	8,869	13,087	16,685
Total liabilities	59,085	45,238	10,879	10,024	69,964	55,262
Deferred inflows of resources	8,696	145	65	2	8,761	147
Net position:						
Net investment in capital assets	46,766	44,006	9,521	9,511	56,287	53,517
Restricted	5,076	4,310	-	-	5,076	4,310
Unrestricted	(48,619)	(19,449)	1,813	2,251	(46,806)	(17,198)
Total net position	\$ 3,223	\$ 28,867	\$ 11,334	\$ 11,762	\$ 14,557	\$ 40,629

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$14,557,210, a change of \$(1,751,724) from the prior year.

The largest portion of net position \$56,287,282 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$5,076,242 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$(46,806,314) results primarily from net pension and net OPEB liabilities.

	<u>CHANGES IN NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,091	\$ 2,902	\$ 1,725	\$ 1,811	\$ 4,816	\$ 4,713
Operating grants and contributions	5,835	5,804	-	-	5,835	5,804
Capital grants and contributions	1,271	450	-	-	1,271	450
General revenues:						
Property taxes	27,418	25,926	-	-	27,418	25,926
Excises	2,061	2,060	-	-	2,061	2,060
Penalties and interest on taxes	571	452	-	-	571	452
Grants and contributions not restricted to specific programs	9,029	9,056	-	-	9,029	9,056
Investment income	126	105	-	-	126	105
Other	702	255	189	181	891	436
Total revenues	50,104	47,010	1,914	1,992	52,018	49,002

(continued)

(continued)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Expenses:						
General government	3,191	3,253	-	-	3,191	3,253
Public safety	7,259	6,404	-	-	7,259	6,404
Education	34,515	34,352	-	-	34,515	34,352
Public works	3,036	2,948	-	-	3,036	2,948
Human services	795	780	-	-	795	780
Culture and recreation	901	929	-	-	901	929
Intergovernmental	1,352	1,461	-	-	1,352	1,461
Interest on long-term debt	352	215	-	-	352	215
Sewer operations	-	-	1,955	1,857	1,955	1,857
Ambulance operations	-	-	414	266	414	266
Total expenses	<u>51,401</u>	<u>50,342</u>	<u>2,369</u>	<u>2,123</u>	<u>53,770</u>	<u>52,465</u>
Change in net position before transfers	(1,297)	(3,332)	(455)	(131)	(1,752)	(3,463)
Transfers in (out)	<u>(120)</u>	<u>(116)</u>	<u>120</u>	<u>116</u>	<u>-</u>	<u>-</u>
Change in net position	(1,417)	(3,448)	(335)	(15)	(1,752)	(3,463)
Net position - beginning of year, as restated	<u>4,640</u>	<u>32,315</u>	<u>11,669</u>	<u>11,777</u>	<u>16,309</u>	<u>44,092</u>
Net position - end of year	<u>\$ 3,223</u>	<u>\$ 28,867</u>	<u>\$ 11,334</u>	<u>\$ 11,762</u>	<u>\$ 14,557</u>	<u>\$ 40,629</u>

Fiscal year 2017 amounts were not restated as the Town applied GASB 75 prospectively.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(1,416,714). Key elements of this change are as follows:

Change in net pension liability and related deferred outflows/inflows	\$ (849,643)
Change in net OPEB liability and related deferred outflows/inflows	(925,004)
Other	<u>357,933</u>
Total	<u>\$ (1,416,714)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(335,010). Key elements of this change are the sewer balance, changed primarily due to depreciation, debt service amortization, and use of fund balance.

D. FINANCIAL ANALYSIS OF FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$11,688,888, a change of \$3,314,131 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results exclusive of paydown of bond anticipation notes	\$ 286,204
Transfer to nonmajor funds for paydown of bond anticipation notes	(1,881,978)
Other	<u>178,351</u>
Subtotal General Fund	(1,417,423)
Community preservation fund operating results (including bond proceeds and premium)	2,462,744
Nonmajor funds operating results exclusive of paydown of bond anticipation notes	386,832
Transfer from general fund for paydown of bond anticipation notes	<u>1,881,978</u>
Total	<u>\$ 3,314,131</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,486,660, while total fund balance was \$5,181,097. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 3,486,660	\$ 3,884,622	\$ (397,962)	8.4%
Total fund balance	\$ 5,181,097	\$ 6,598,520	\$ (1,417,423)	12.5%

The total fund balance of the general fund changed by \$(1,417,423) during the current fiscal year. Key factors in this change are as follows:

Use of free cash	\$ (1,767,498)
Excess of state and local revenues over budget	690,637
Budgetary appropriation surplus	335,021
Shortfall of tax collections over budget	(186,347)
Current year expenditures of amounts encumbered in the prior year	(696,129)
Change in stabilization balance	325,689
Other timing differences	<u>(118,796)</u>
Total	<u>\$ (1,417,423)</u>

Included in the total general fund balance is the Town's stabilization account with the following balances:

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
General stabilization	\$ 1,736,062	\$ 1,236,376	\$ 499,686
Capital asset stabilization	578,487	570,694	7,793
Debt assessment stabilization	<u>211,714</u>	<u>393,504</u>	<u>(181,790)</u>
Total	<u>\$ 2,526,263</u>	<u>\$ 2,200,574</u>	<u>\$ 325,689</u>

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,812,834, a change of \$438,198 in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriation of \$316,282. Major reasons for these amendments include:

- \$100,000 – Street light purchase
- \$30,000 – Public safety complex design
- \$186,282 – School Medicare

All these increases, \$316,282, were funded from free cash.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$70,125,214 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, and machinery and equipment.

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

- \$174,000 ambulance purchase
- \$1,022,085 road repairs
- \$2,614,874 sewer construction in progress

Additional information on capital assets can be found in the Notes to the Financial Statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$6,580,618, all of which was backed by the full faith and credit of the Town.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Tyngsborough's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Finance Director
Town of Tyngsborough
25 Bryants Lane
Tyngsborough, Massachusetts 01879

TOWN OF TYNGSBOROUGH, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 10,571,735	\$ 2,344,370	\$ 12,916,105
Investments	3,004,576	-	3,004,576
Receivables, net of allowance for uncollectibles:			
Property taxes	454,806	-	454,806
Excises	141,225	-	141,225
User fees	-	315,086	315,086
Departmental and other	30,644	-	30,644
Intergovernmental	169,678	963,741	1,133,419
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	1,246,778	-	1,246,778
Capital assets:			
Land and construction in progress	9,458,662	9,438,924	18,897,586
Other capital assets, net of accumulated depreciation	42,056,018	9,171,610	51,227,628
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	3,867,057	44,197	3,911,254
Related to OPEB	<u>2,683</u>	<u>17</u>	<u>2,700</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	71,003,862	22,277,945	93,281,807
LIABILITIES			
Current:			
Warrants payable	924,916	391,418	1,316,334
Accrued liabilities	376,574	12,200	388,774
Notes payable	-	9,282,500	9,282,500
Other current liabilities	679,375	-	679,375
Current portion of long-term liabilities:			
Bonds payable	1,095,000	248,413	1,343,413
Other	36,135	40,000	76,135
Noncurrent:			
Bonds payable, net of current portion	4,835,000	402,205	5,237,205
Net pension liability	20,661,311	236,141	20,897,452
Net OPEB liability	29,789,706	185,848	29,975,554
Other, net of current portion	686,574	80,050	766,624
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	2,114,837	24,171	2,139,008
Related to OPEB	<u>6,581,165</u>	<u>41,058</u>	<u>6,622,223</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	67,780,593	10,944,004	78,724,597
NET POSITION			
Net investment in capital assets	46,766,175	9,521,107	56,287,282
Restricted for:			
Grants and other statutory restrictions	4,426,846	-	4,426,846
Permanent funds:			
Nonexpendable	351,069	-	351,069
Expendable	298,327	-	298,327
Unrestricted	<u>(48,619,148)</u>	<u>1,812,834</u>	<u>(46,806,314)</u>
TOTAL NET POSITION	<u>\$ 3,223,269</u>	<u>\$ 11,333,941</u>	<u>\$ 14,557,210</u>

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

TOWN OF TYNGSBOROUGH, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 3,191,289	\$ 241,830	\$ -	\$ 195,000	\$ (2,754,459)	\$ -	\$ (2,754,459)
Public safety	7,258,759	640,366	35,996	-	(6,582,397)	-	(6,582,397)
Education	34,515,056	2,034,234	5,541,354	53,972	(26,885,496)	-	(26,885,496)
Public works	3,036,214	47,252	7,195	1,022,238	(1,959,529)	-	(1,959,529)
Health and human services	794,964	36,840	77,377	-	(680,747)	-	(680,747)
Culture and recreation	901,049	90,429	173,341	-	(637,279)	-	(637,279)
Intergovernmental	1,352,179	-	-	-	(1,352,179)	-	(1,352,179)
Interest	351,264	-	-	-	(351,264)	-	(351,264)
Total Governmental Activities	51,400,774	3,090,951	5,835,263	1,271,210	(41,203,350)	-	(41,203,350)
Business-Type Activities:							
Sewer services	1,955,536	1,271,977	-	-	-	(683,559)	(683,559)
Ambulance services	414,477	453,325	-	-	-	38,848	38,848
Total Business-Type Activities	2,370,013	1,725,302	-	-	-	(644,711)	(644,711)
Total	\$ 53,770,787	\$ 4,816,253	\$ 5,835,263	\$ 1,271,210	(41,203,350)	(644,711)	(41,848,061)
General Revenues and Transfers:							
Property taxes					27,417,595	-	27,417,595
Excises					2,061,302	-	2,061,302
Penalties, interest and other taxes					571,385	-	571,385
Grants and contributions not restricted to specific programs					9,028,631	-	9,028,631
Investment income					125,766	-	125,766
Miscellaneous					702,210	189,448	891,658
Transfers, net					(120,253)	120,253	-
Total general revenues and transfers					39,786,636	309,701	40,096,337
Change in Net Position					(1,416,714)	(335,010)	(1,751,724)
Net Position:							
Beginning of year, as restated					4,639,983	11,668,951	16,308,934
End of year					\$ 3,223,269	\$ 11,333,941	\$ 14,557,210

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

TOWN OF TYNGSBOROUGH, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 4,704,771	\$ 2,389,648	\$ 3,477,316	\$ 10,571,735
Investments	2,194,178	143,258	667,140	3,004,576
Receivables:				
Property taxes	1,966,476	-	-	1,966,476
Excises	197,269	-	-	197,269
Departmental and other	1,134	29,510	-	30,644
Intergovernmental	-	-	169,678	169,678
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 9,063,828</u>	<u>\$ 2,562,416</u>	<u>\$ 4,314,134</u>	<u>\$ 15,940,378</u>
LIABILITIES				
Warrants payable	\$ 722,192	\$ 22	\$ 202,702	\$ 924,916
Accrued liabilities	327,975	-	-	327,975
Other liabilities	679,375	-	-	679,375
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	1,729,542	22	202,702	1,932,266
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	2,153,189	29,510	136,525	2,319,224
FUND BALANCES				
Nonspendable	-	-	351,069	351,069
Restricted	-	2,532,884	4,078,365	6,611,249
Committed	1,574,076	-	-	1,574,076
Assigned	120,361	-	-	120,361
Unassigned	3,486,660	-	(454,527)	3,032,133
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>5,181,097</u>	<u>2,532,884</u>	<u>3,974,907</u>	<u>11,688,888</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 9,063,828</u>	<u>\$ 2,562,416</u>	<u>\$ 4,314,134</u>	<u>\$ 15,940,378</u>

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

TOWN OF TYNGSBOROUGH, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2018

Total governmental fund balances	\$ 11,688,888
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	51,514,680
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,998,288
• Long-term liabilities, including bonds payable, net pension liability, net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(61,929,988)
• Other	<u>(48,599)</u>
Net position of governmental activities	<u><u>\$ 3,223,269</u></u>

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

TOWN OF TYNGSBOROUGH, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General</u>	Community Preservation <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
Property taxes	\$ 26,812,665	\$ 565,023	\$ -	\$ 27,377,688
Excises	2,038,615	-	-	2,038,615
Penalties, interest and other taxes	569,826	2,951	-	572,777
Charges for services	270,326	-	2,312,202	2,582,528
Intergovernmental	11,144,315	148,291	2,281,824	13,574,430
Licenses and permits	633,220	-	-	633,220
Fines and forfeitures	13,263	-	-	13,263
Investment income	123,103	7,566	(4,903)	125,766
Miscellaneous	230,353	200,000	232,795	663,148
	<u>41,835,686</u>	<u>923,831</u>	<u>4,821,918</u>	<u>47,581,435</u>
Total Revenues				
Expenditures:				
Current:				
General government	1,819,014	34,321	-	1,853,335
Public safety	4,464,946	-	459,180	4,924,126
Education	23,875,170	-	103,610	23,978,780
Public works	2,182,614	-	3,559,648	5,742,262
Health and human services	504,829	-	1,123,766	1,628,595
Culture and recreation	431,928	-	75,855	507,783
Employee benefits	6,155,148	-	114,049	6,269,197
Debt service	763,654	227,288	-	990,942
Intergovernmental	1,352,179	-	-	1,352,179
	<u>41,549,482</u>	<u>261,609</u>	<u>5,436,108</u>	<u>47,247,199</u>
Total Expenditures				
Excess (deficiency) of revenues over expenditures	286,204	662,222	(614,190)	334,236
Other Financing Sources (Uses):				
Issuance of bonds	-	1,650,500	1,249,500	2,900,000
Bond premiums	-	150,022	50,126	200,148
Transfers in	335,327	-	2,868,701	3,204,028
Transfers out	(2,038,954)	-	(1,285,327)	(3,324,281)
	<u>(1,703,627)</u>	<u>1,800,522</u>	<u>2,883,000</u>	<u>2,979,895</u>
Total Other Financing Sources (Uses)				
Change in fund balance	(1,417,423)	2,462,744	2,268,810	3,314,131
Fund Balance, at Beginning of Year, as restated	6,598,520	70,140	1,706,097	8,374,757
Fund Balance, at End of Year	<u>\$ 5,181,097</u>	<u>\$ 2,532,884</u>	<u>\$ 3,974,907</u>	<u>\$ 11,688,888</u>

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

TOWN OF TYNGSBOROUGH, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net changes in fund balances - total governmental funds	\$ 3,314,131																
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Capital outlay</td> <td style="text-align: right;">1,684,464</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(2,518,846)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Issuance of debt</td> <td style="text-align: right;">(2,900,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">545,000</td> </tr> </table> • 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. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">138,193</td> </tr> </table> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Net pension liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">(849,643)</td> </tr> <tr> <td>Net OPEB liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">(925,004)</td> </tr> </table> • Other differences <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right; border-top: 1px solid black;">94,991</td> </tr> </table> 		Capital outlay	1,684,464	Depreciation	(2,518,846)	Issuance of debt	(2,900,000)	Repayments of debt	545,000		138,193	Net pension liability and related deferred outflows and inflows of resources	(849,643)	Net OPEB liability and related deferred outflows and inflows of resources	(925,004)		94,991
Capital outlay	1,684,464																
Depreciation	(2,518,846)																
Issuance of debt	(2,900,000)																
Repayments of debt	545,000																
	138,193																
Net pension liability and related deferred outflows and inflows of resources	(849,643)																
Net OPEB liability and related deferred outflows and inflows of resources	(925,004)																
	94,991																
Change in net position of governmental activities	\$ <u>(1,416,714)</u>																

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

TOWN OF TYNGSBOROUGH, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Transfers In:				
Property taxes	\$ 26,999,012	\$ 26,999,012	\$ 26,999,012	\$ -
Excise	1,854,737	1,854,737	2,038,615	183,878
Penalties, interest and other taxes	406,000	406,000	569,826	163,826
Charges for services	212,800	212,800	270,326	57,526
Intergovernmental	8,767,128	8,767,128	8,803,640	36,512
Licenses and permits	440,000	440,000	633,220	193,220
Fines and forfeitures	31,900	31,900	13,263	(18,637)
Investment income	18,000	18,000	94,494	76,494
Miscellaneous	253,679	253,679	347,004	93,325
Transfers in	614,769	614,769	519,262	(95,507)
Total Revenues and Transfers In	39,598,025	39,598,025	40,288,662	690,637
Expenditures and Transfers Out:				
General government	2,010,834	2,010,834	1,809,034	201,800
Public safety	4,421,508	4,451,508	4,437,336	14,172
Education	21,374,922	21,561,204	21,560,697	507
Public works	2,126,728	2,226,728	2,186,039	40,689
Health and human services	509,080	509,080	504,829	4,251
Culture and recreation	436,821	436,821	435,712	1,109
Employee benefits	6,156,597	6,156,597	6,120,015	36,582
Debt service	2,076,935	2,076,935	2,076,935	-
Intergovernmental	1,388,090	1,388,090	1,352,179	35,911
Transfers out	547,726	547,726	547,726	-
Total Expenditures and Transfers Out	41,049,241	41,365,523	41,030,502	335,021
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(1,451,216)	(1,767,498)	(741,840)	1,025,658
Other Financing Sources:				
Use of free cash	1,451,216	1,767,498	-	(1,767,498)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ (741,840)	\$ (741,840)

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

TOWN OF TYNGSBOROUGH, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Nonmajor Fund	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 2,326,781	\$ 17,589	\$ 2,344,370
User fees, net of allowance for uncollectibles	154,620	160,466	315,086
Intergovernmental receivables	963,741	-	963,741
Total current assets	3,445,142	178,055	3,623,197
Noncurrent:			
Capital assets:			
Land and construction in progress	9,438,924	-	9,438,924
Other capital assets, net of accumulated depreciation	9,015,010	156,600	9,171,610
Total noncurrent assets	18,453,934	156,600	18,610,534
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	44,197	-	44,197
Related to OPEB	17	-	17
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	21,943,290	334,655	22,277,945
LIABILITIES			
Current:			
Warrants payable	379,008	12,410	391,418
Accrued liabilities	12,200	-	12,200
Notes payable	9,282,500	-	9,282,500
Current portion of long-term liabilities:			
Bonds payable	248,413	-	248,413
Other	-	40,000	40,000
Total current liabilities	9,922,121	52,410	9,974,531
Noncurrent:			
Bonds payable, net of current portion	402,205	-	402,205
Net pension liability	236,141	-	236,141
Net OPEB liability	185,848	-	185,848
Other, net of current portion	-	80,050	80,050
Total noncurrent liabilities	824,194	80,050	904,244
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	24,171	-	24,171
Related to OPEB	41,058	-	41,058
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	10,811,544	132,460	10,944,004
NET POSITION			
Net investment in capital assets	9,484,557	36,550	9,521,107
Unrestricted	1,647,189	165,645	1,812,834
TOTAL NET POSITION	\$ 11,131,746	\$ 202,195	\$ 11,333,941

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

TOWN OF TYNGSBOROUGH, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Nonmajor Fund	Total
Operating Revenues:			
Charges for services	\$ 1,271,977	\$ 453,325	\$ 1,725,302
Other	189,448	-	189,448
Total Operating Revenues	1,461,425	453,325	1,914,750
Operating Expenses:			
Salaries and benefits	285,457	340,255	625,712
Other operating expenses	1,286,331	56,822	1,343,153
Depreciation	376,290	17,400	393,690
Total Operating Expenses	1,948,078	414,477	2,362,555
Operating Income (Loss)	(486,653)	38,848	(447,805)
Nonoperating Revenues (Expenses):			
Interest expense	(7,458)	-	(7,458)
Total Nonoperating Revenues (Expenses), Net	(7,458)	-	(7,458)
Income (Loss) Before Transfers	(494,111)	38,848	(455,263)
Transfers:			
Transfers in	120,253	-	120,253
Change in Net Position	(373,858)	38,848	(335,010)
Net Position at Beginning of Year, as restated	11,505,604	163,347	11,668,951
Net Position at End of Year	\$ <u>11,131,746</u>	\$ <u>202,195</u>	\$ <u>11,333,941</u>

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

TOWN OF TYNGSBOROUGH, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Nonmajor Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 1,477,599	\$ 447,632	\$ 1,925,231
Payments to vendors and employees	<u>(1,426,475)</u>	<u>(394,812)</u>	<u>(1,821,287)</u>
Net Cash Provided By Operating Activities	51,124	52,820	103,944
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfers in	<u>120,253</u>	<u>-</u>	<u>120,253</u>
Net Cash Provided By Noncapital Financing Activities	120,253	-	120,253
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets	(2,614,874)	-	(2,614,874)
Principal payments on bonds and leases	(238,047)	(40,000)	(278,047)
Proceeds on notes	2,503,441	-	2,503,441
Interest expense	<u>(7,458)</u>	<u>-</u>	<u>(7,458)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(356,938)</u>	<u>(40,000)</u>	<u>(396,938)</u>
Net Change in Cash and Short-Term Investments	(185,561)	12,820	(172,741)
Cash and Short-Term Investments, Beginning of Year	<u>2,512,342</u>	<u>4,769</u>	<u>2,517,111</u>
Cash and Short-Term Investments, End of Year	<u>\$ 2,326,781</u>	<u>\$ 17,589</u>	<u>\$ 2,344,370</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income (loss)	\$ (486,653)	\$ 38,848	\$ (447,805)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	376,290	17,400	393,690
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees	16,174	(5,693)	10,481
Deferred outflows - related to pensions	8,086	-	8,086
Deferred outflows - related to OPEB	(17)	-	(17)
Warrants and accounts payable	135,050	2,265	137,315
Accrued liabilities	(5,219)	-	(5,219)
Net pension liability	(20,888)	-	(20,888)
Net OPEB liability	(35,270)	-	(35,270)
Deferred inflows - related to pensions	22,513	-	22,513
Deferred inflows - related to OPEB	<u>41,058</u>	<u>-</u>	<u>41,058</u>
Net Cash Provided By Operating Activities	<u>\$ 51,124</u>	<u>\$ 52,820</u>	<u>\$ 103,944</u>

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

TOWN OF TYNGSBOROUGH, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	Other Post-Employment Benefits Trust <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ -	\$ -	\$ 397,532
Investments	190,726	68,972	-
Accounts receivable	<u>-</u>	<u>-</u>	<u>29,068</u>
Total Assets	190,726	68,972	426,600
LIABILITIES AND NET POSITION			
Warrants payable	-	-	70,693
Other liabilities	<u>-</u>	<u>-</u>	<u>355,907</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>426,600</u>
NET POSITION			
Total net position restricted for pensions and other purposes	<u>\$ 190,726</u>	<u>\$ 68,972</u>	<u>\$ -</u>

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

TOWN OF TYNGSBOROUGH, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

	Other Post-Employment Benefits Trust <u>Fund</u>	Private Purpose <u>Trust Funds</u>
Additions:		
Employer contributions	\$ 651,325	\$ -
Interest income (loss)	6,359	(535)
Other	<u>-</u>	<u>1,775</u>
Total additions	657,684	1,240
Deductions:		
Benefit payments to plan members, beneficiaries and other systems	<u>619,192</u>	<u>5,300</u>
Total deductions	<u>619,192</u>	<u>5,300</u>
Net increase	38,492	(4,060)
Net position:		
Beginning of year	<u>152,234</u>	<u>73,032</u>
End of year	<u>\$ 190,726</u>	<u>\$ 68,972</u>

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

TOWN OF TYNGSBOROUGH, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Tyngsborough, Massachusetts (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2018, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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

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

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Community Preservation fund* accounts for funds used for the acquisition, creation, and preservation of open space, historic resources, and community history.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- Sewer operations

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

The Town reports the following fiduciary funds:

- The other post-employment benefit trust fund is used to accumulate resources for health and life insurance benefits for retired employees.
- The private-purpose trust fund is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The agency funds account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the trust funds consist of marketable securities, bonds, and short-term money market investments. Investments are carried at fair value, except certificates of deposit which are reported at cost.

F. Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2018 tax levy reflected an excess capacity of \$96,312.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

H. Compensated Absences

It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the

outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the reserve fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The general fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 41,835,686	\$ 41,549,482
Other financing sources/uses (GAAP basis)	<u>335,327</u>	<u>2,038,954</u>
Subtotal (GAAP Basis)	42,171,013	43,588,436
Adjust tax revenue to accrual basis	186,347	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(777,637)
To book current year appropriation carryforwards	-	81,508
To remove unbudgeted stabilization fund	153,181	478,870
To reverse the effect of non-budgeted State contributions for teachers retirement	(2,340,675)	(2,340,675)
To record timing differences	<u>118,796</u>	<u>-</u>
Budgetary basis	<u>\$ 40,288,662</u>	<u>\$ 41,030,502</u>

D. Deficit Fund Equity

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

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2018, \$3,350,121 of the Town's bank balances of \$13,662,810 was exposed to custodial credit risk as uninsured or uncollateralized. \$884,379 of the Town's uninsured and uncollateralized amount is on deposit with the Massachusetts Municipal Depository Trust, which is the state investment pool as authorized by Massachusetts General Law, Chapter 29, Section 38A.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the actual rating as of year-end for each investment of the Town. (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>			
				<u>Aaa</u>	<u>Aa+</u>	<u>A</u>	<u>BBB+</u>
Certificates of deposits	\$ 2,034		\$ -	\$ 2,034	\$ -	\$ -	\$ -
Corporate bonds	250		-	-	-	166	84
Corporate equities	403	N/A	403	-	-	-	-
Federal agency securities	<u>577</u>		<u>-</u>	<u>228</u>	<u>349</u>	<u>-</u>	<u>-</u>
Total investments	\$ <u>3,264</u>		\$ <u>403</u>	\$ <u>2,262</u>	\$ <u>349</u>	\$ <u>166</u>	\$ <u>84</u>

B. Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>N/A</u>
Certificates of deposit	\$ 2,034	\$ 1,847	\$ 187	\$ -
Corporate bonds	250	-	250	-
Corporate equities	403	-	-	403
Federal agency securities	<u>577</u>	<u>577</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,264</u>	<u>\$ 2,424</u>	<u>\$ 437</u>	<u>\$ 403</u>

D. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town's policy is not to invest in foreign currency investments.

E. Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by *Governmental Accounting Standards Board Statement No. 72 Fair Value Measurement and Application (GASB 72)*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the Town's investments are classified as Level 1, except certificates of deposit which are reported at cost.

5. Property Taxes and Excises Receivables

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a semi-annual basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

The day after the final tax bill is due, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Boat excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

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

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Real estate taxes	\$ 552,905	\$ (105,631)	\$ 447,274
Personal property taxes	28,262	(20,730)	7,532
Tax liens	<u>1,385,309</u>	<u>(138,531)</u>	<u>1,246,778</u>
Total property taxes	<u>\$ 1,966,476</u>	<u>\$ (264,892)</u>	1,701,584
Less current portion			<u>454,806</u>
Noncurrent taxes receivable			<u>\$ 1,246,778</u>
Motor vehicle excise	<u>\$ 197,269</u>	<u>\$ (56,044)</u>	<u>\$ 141,225</u>
Total excises	<u>\$ 197,269</u>	<u>\$ (56,044)</u>	<u>\$ 141,225</u>

6. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2018 and the unspent portion of the loan from Massachusetts Clean Water Trust.

7. Interfund Fund Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers.

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 335,327	\$ 2,038,954
Nonmajor Funds:		
Special Revenue Funds	-	1,265,327
Capital Project Funds	2,831,978	-
Trust Funds	<u>36,723</u>	<u>20,000</u>
Subtotal Nonmajor Funds	2,868,701	1,285,327
<u>Business-Type Funds:</u>		
Sewer Fund	<u>120,253</u>	<u>-</u>
Subtotal Business-Type Funds:	<u>120,253</u>	<u>-</u>
Grand Total	<u>\$ 3,324,281</u>	<u>\$ 3,324,281</u>

The Town transferred \$1,881,978 from the general fund to capital project funds as the permanent funding source to paydown bond anticipation note liability balances. The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

8. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 54,973	\$ 76	\$ -	\$ 55,049
Machinery, equipment, and furnishings	6,310	336	-	6,646
Infrastructure	<u>13,824</u>	<u>1,272</u>	<u>-</u>	<u>15,096</u>
Total capital assets, being depreciated	75,107	1,684	-	76,791
Less accumulated depreciation for:				
Buildings and improvements	(23,976)	(1,497)	-	(25,473)
Machinery, equipment, and furnishings	(3,965)	(510)	-	(4,475)
Infrastructure	<u>(4,275)</u>	<u>(512)</u>	<u>-</u>	<u>(4,787)</u>
Total accumulated depreciation	<u>(32,216)</u>	<u>(2,519)</u>	<u>-</u>	<u>(34,735)</u>
Total capital assets, being depreciated, net	42,891	(835)	-	42,056
Capital assets, not being depreciated:				
Land	9,436	-	-	9,436
Construction in progress	<u>22</u>	<u>-</u>	<u>-</u>	<u>22</u>
Total capital assets, not being depreciated	<u>9,458</u>	<u>-</u>	<u>-</u>	<u>9,458</u>
Governmental activities capital assets, net	<u>\$ 52,349</u>	<u>\$ (835)</u>	<u>\$ -</u>	<u>\$ 51,514</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,226	\$ -	\$ -	\$ 2,226
Machinery, equipment, and furnishings	345	-	-	345
Infrastructure	<u>17,004</u>	<u>-</u>	<u>-</u>	<u>17,004</u>
Total capital assets, being depreciated	19,575	-	-	19,575
Less accumulated depreciation for:				
Buildings and improvements	(1,889)	(34)	-	(1,923)
Machinery, equipment, and furnishings	(143)	(19)	-	(162)
Infrastructure	<u>(7,978)</u>	<u>(340)</u>	<u>-</u>	<u>(8,318)</u>
Total accumulated depreciation	<u>(10,010)</u>	<u>(393)</u>	<u>-</u>	<u>(10,403)</u>
Total capital assets, being depreciated, net	9,565	(393)	-	9,172
Capital assets, not being depreciated:				
Land	235	-	-	235
Construction in progress	<u>6,589</u>	<u>2,615</u>	<u>-</u>	<u>9,204</u>
Total capital assets, not being depreciated	<u>6,824</u>	<u>2,615</u>	<u>-</u>	<u>9,439</u>
Business-type activities capital assets, net	<u>\$ 16,389</u>	<u>\$ 2,222</u>	<u>\$ -</u>	<u>\$ 18,611</u>

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

Governmental Activities:	
General government	\$ 257
Public safety	279
Education	1,268
Public works	573
Culture and recreation	<u>142</u>
Total depreciation expense - governmental activities	<u>\$ 2,519</u>
Business-Type Activities:	
Sewer	\$ 376
Ambulance	<u>17</u>
Total depreciation expense - business-type activities	<u>\$ 393</u>

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

10. Warrants Payable

Warrants payable represent 2018 expenditures paid by July 15, 2018.

11. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

12. Notes Payable

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/18</u>
MCWT CW-15-10	1.25%	04/04/18	04/04/19	\$ 9,282,500
Total				\$ 9,282,500

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

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Remodeling Old Town Hall	\$ 2,000,000	\$ -	\$ (2,000,000)	\$ -
School facilities	164,500	-	(164,500)	-
Dump truck with plow	118,075	-	(118,075)	-
Dump truck with plow and sander	122,250	-	(122,250)	-
One-ton dump truck	29,000	-	(29,000)	-
Selectmen - information technology replacement	19,550	-	(19,550)	-
Police - information technology replacement	19,550	-	(19,550)	-
Town offices	14,600	-	(14,600)	-
School facility condition assessment/security	43,650	-	(43,650)	-
School security upgrade	29,000	-	(29,000)	-
School technology	39,150	-	(39,150)	-
High school roof and boiler replacement	1,741,528	-	(1,741,528)	-
Road reconstruction	1,047,124	-	(1,047,124)	-
Technology replacement	50,000	-	(50,000)	-
Sander/plow truck	40,000	-	(40,000)	-
Pickup trucks	35,000	-	(35,000)	-
Town offices repair	35,000	-	(35,000)	-
Fuel control system	30,000	-	(30,000)	-
School equipment furniture	25,000	-	(25,000)	-
School security	21,900	-	(21,900)	-
Financial software replacement	18,100	-	(18,100)	-
Road reconstruction	200,000	-	(200,000)	-
MCWT CW-15-10	8,318,759	-	(8,318,759)	-
MCWT CW-15-10	-	9,282,500	-	9,282,500
Total	\$ 14,161,736	\$ 9,282,500	\$ (14,161,736)	\$ 9,282,500

13. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2022. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2018:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2019	\$ 43,165
2020	42,109
2021	41,058
Thereafter	<u>53</u>
Total minimum lease payments	126,385
Less amounts representing interest	<u>(6,335)</u>
Present Value of Minimum Lease Payments	<u>\$ 120,050</u>

14. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/18</u>
New elementary school	11/01/24	3.88%	\$ 1,820,000
New elementary school	08/15/19	4.05%	90,000
School roof phase 1	08/15/19	4.03%	60,000
Additional elementary school	08/15/19	4.01%	20,000
School roof phase 2	08/15/19	4.03%	30,000
Additional highway	08/15/18	1.26%	5,000
School boilers	08/15/26	2.69%	245,000
Fire truck	08/15/26	2.70%	235,000
Fire truck 2	08/15/26	2.71%	150,000
Wash station completion	08/15/26	2.81%	60,000
Pierce field bleachers	08/15/26	2.69%	135,000
Dump truck	08/15/23	2.24%	90,000
Wood chipper	08/15/23	2.21%	30,000
Master plan	08/15/18	1.27%	10,000
Town office remodel	08/15/21	1.84%	20,000
School technology	08/15/23	2.21%	30,000
Remodeling old town hall	10/15/27	4.00%	1,650,500
School facilities - concession stand	10/15/27	4.00%	155,000
School security upgrade	10/15/27	4.00%	29,000
School technology	10/15/27	4.00%	32,000
High school roof and boiler replacement	10/15/27	4.00%	400,500
Road reconstruction	10/15/27	4.00%	<u>633,000</u>
Total Governmental Activities			<u>\$ 5,930,000</u>

<u>Business-Type Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/18
Water pollution bonds	08/01/19	5.49%	\$ 460,000
Water pollution abatement	07/15/25	2.00%	40,531
Water pollution abatement trust	07/15/27	2.00%	103,601
Water pollution abatement trust	07/15/27	2.00%	<u>46,486</u>
Total Business-Type Activities			<u>\$ 650,618</u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,095,000	\$ 205,623	\$ 1,300,623
2020	1,065,000	163,598	1,228,598
2021	625,000	130,895	755,895
2022	615,000	106,987	721,987
2023	610,000	84,976	694,976
2024 - 2027	<u>1,920,000</u>	<u>138,174</u>	<u>2,058,174</u>
Total	<u>\$ 5,930,000</u>	<u>\$ 830,253</u>	<u>\$ 6,760,253</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 248,413	\$ 20,767	\$ 269,180
2020	248,785	9,580	258,365
2021	19,164	2,877	22,041
2022	19,552	2,490	22,042
2023	19,947	2,095	22,042
2024 - 2028	<u>94,757</u>	<u>4,484</u>	<u>99,241</u>
Total	<u>\$ 650,618</u>	<u>\$ 42,293</u>	<u>\$ 692,911</u>

C. Changes in General Long-Term Liabilities

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

	Total Balance 7/1/17	Additions	Reductions	Total Balance 6/30/18	Less Current Portion	Equals Long-Term Portion 6/30/18
<u>Governmental Activities</u>						
Bonds payable	\$ 3,575	\$ 2,900	\$ (545)	\$ 5,930	\$ (1,095)	\$ 4,835
Net pension liability	22,489	-	(1,828)	20,661	-	20,661
Net OPEB liability	35,443	-	(5,653)	29,790	-	29,790
Other:						
Compensated absences	723	-	-	723	(36)	687
Capital leases	<u>56</u>	<u>-</u>	<u>(56)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal - other	<u>779</u>	<u>-</u>	<u>(56)</u>	<u>723</u>	<u>(36)</u>	<u>687</u>
Totals	<u>\$ 62,286</u>	<u>\$ 2,900</u>	<u>\$ (8,082)</u>	<u>\$ 57,104</u>	<u>\$ (1,131)</u>	<u>\$ 55,973</u>

	Total Balance 7/1/17	Additions	Reductions	Total Balance 6/30/18	Less Current Portion	Equals Long-Term Portion 6/30/18
<u>Business-Type Activities</u>						
Bonds payable	\$ 888	\$ -	\$ (238)	\$ 650	\$ (248)	\$ 402
Net pension liability	257	-	(21)	236	-	236
Net OPEB liability	221	-	(35)	186	-	186
Other:						
Capital leases	160	-	(40)	120	(40)	80
Subtotal - other	160	-	(40)	120	(40)	80
Totals	\$ 1,526	\$ -	\$ (334)	\$ 1,192	\$ (288)	\$ 904

15. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

16. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented *GASB Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2018:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund

encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2018:

	General Fund	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 351,069	\$ 351,069
Total Nonspendable	-	-	351,069	351,069
Restricted				
Capital project funds bonded projects	-	-	1,205,780	1,205,780
Special revenue funds	-	-	2,307,249	2,307,249
Community preservation	-	2,532,884	-	2,532,884
Special revenue expendable	-	-	267,011	267,011
Expendable permanent funds	-	-	298,325	298,325
Total Restricted	-	2,532,884	4,078,365	6,611,249
Committed				
Capital asset stabilization	578,487	-	-	578,487
Debt assessment stabilization	211,714	-	-	211,714
Reserve for expenditures:				
Subsequent year transfers	33,217	-	-	33,217
Capital	750,658	-	-	750,658
Total Committed	1,574,076	-	-	1,574,076
Assigned				
Encumbrances				
General government	40,459	-	-	40,459
Public safety	1,332	-	-	1,332
Education	26,202	-	-	26,202
Public works	9,731	-	-	9,731
Culture and recreation	3,784	-	-	3,784
To offset tax rate	38,853	-	-	38,853
Total Assigned	120,361	-	-	120,361
Unassigned				
Capital projects	-	-	(41,240)	(41,240)
Special revenue	-	-	(413,287)	(413,287)
General operating stabilization	1,736,062	-	-	1,736,062
General fund	1,750,598	-	-	1,750,598
Total Unassigned	3,486,660	-	(454,527)	3,032,133
Total Fund Balance	\$ 5,181,097	\$ 2,532,884	\$ 3,974,907	\$ 11,688,888

17. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

Massachusetts general laws include provisions to allow municipalities to over expend certain appropriations if they are incurred in an emergency situation and for the safety of the public. The most common example involves the “snow and ice” appropriation. All such overexpenditures, however, must be funded in the subsequent year’s tax rate.

Massachusetts General Laws require that non-property tax revenue budget short-falls, net of appropriation turnbacks, be funded in the subsequent year. The same treatment is also applied to the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay).

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 3,486,660
Stabilization fund	<u>(1,736,062)</u>
Statutory (UMAS) Balance	<u>\$ 1,750,598</u>

18. Middlesex County Contributory Retirement System

The Town follows the provisions of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees’ retirement funds.

A. Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Middlesex County Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System’s annual financial reports publicly

available from the System located at 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

If a participant was a member prior to February 2012, a retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4, have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Participants Refunds

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. In addition, depending upon the number of

years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

Participants Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2018 was \$1,832,388, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

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

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Town reported a liability of \$20,897,452 for its proportionate share of the net pension liability. The net pension liability was measured as

of January 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, the Town's proportion was 1.472497 percent.

For the year ended June 30, 2018, the Town recognized pension expense of \$2,691,742. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 70,472	\$ 106,719
Changes of assumptions	1,997,547	-
Net difference between projected and actual earnings on pension plan investments	-	567,614
Changes in proportion and differences between contributions and proportionate share of contributions	<u>1,843,235</u>	<u>1,464,675</u>
Total	<u>\$ 3,911,254</u>	<u>\$ 2,139,008</u>

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

Year ended June 30:	
2019	\$ 820,919
2020	805,985
2021	484,884
2022	<u>(339,542)</u>
Total	<u>\$ 1,772,246</u>

D. Actuarial Assumptions

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

Inflation	3.25%
Salary increases	4 - 4.5% per year, including longevity
Investment rate of return	7.50%

Mortality rates were based on the RP-2014 Mortality Tables projected generationally using Scale MP-2017.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding an expected inflation rate. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	17.50%	6.15%
International developed markets equity	15.50%	7.11%
International emerging markets equity	6.00%	9.41%
Core fixed income	12.00%	1.68%
High-yield fixed income	10.00%	4.13%
Real estate	10.00%	4.90%
Commodities	4.00%	4.71%
Hedge funds, GTAA, risk parity	13.00%	3.94%
Private equity	12.00%	10.28%
Total	<u>100.00%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Town's proportionate share of the net pension liability would be if it were

calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
\$ 25,648,133	\$ 20,897,452	\$ 16,891,997

G. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report.

19. Massachusetts Teachers’ Retirement System (MTRS)

A. Plan Description

The Massachusetts Teachers’ Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in *Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth’s reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers’ Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

B. Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member’s highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation.

Benefit payments are based upon a member’s age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS’ funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

C. Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

D. Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

- (a) 7.50% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.

- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct).
 - Post-retirement – reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB with a base year of 2014 (gender-distinct).
 - Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 set forward 4 years.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	40.00%	5.00%
Portfolio completion strategies	13.00%	3.60%
Core fixed income	12.00%	1.10%
Private equity	11.00%	6.60%
Real estate	10.00%	3.60%
Value added fixed income	10.00%	3.80%
Timber/natural resources	4.00%	3.20%
Hedge funds	0.00%	3.60%
Total	<u>100.00%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

<u>1% Decrease to 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase to 8.50%</u>
\$ 28,424,300	\$ 22,885,391	\$ 18,193,400

G. Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by *GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68)* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

H. Town Proportions

In fiscal year 2017 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the Town was \$43,356,215 and \$4,525,214 respectively, based on a proportionate share of 0.189449%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expenditure in the general fund.

20. Other Post-Employment Benefits (GASB 74 and GASB 75)

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

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions

that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

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

A. General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

Plan Membership

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	144
Active employees	<u>345</u>
Total	<u>489</u>

B. Investments

The OPEB trust fund assets consist of equities, fixed income, real estate, and alternatives.

Rate of return. For the year ended December 31, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 4.02%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3%, average, including inflation
Investment rate of return	6.8%, net of OPEB plan investment expense
Municipal bond rate	3.45%
Discount rate	4.75%
Healthcare cost trend rates	5% for 2018 and later years

Mortality rates were based on RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - large cap	20.00%	4.00%
Domestic equity - small/mid cap	10.00%	6.00%
International equity - developed market	10.00%	4.50%
International equity - emerging market	5.00%	7.00%
Domestic fixed income	25.00%	2.00%
International fixed income	10.00%	3.00%
Alternatives	20.00%	6.50%
Real estate	0.00%	6.25%
Cash	0.00%	0.00%
Total	<u>100.00%</u>	

D. Discount Rate

The discount rate used to measure the net OPEB liability was 4.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 6.8% and municipal bond rate of 3.45% (based on index provided by Standard and Poor's on 20-year municipal bond rate as of June 30, 2018).

E. Net OPEB Liability

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

Total OPEB liability	\$ 30,170,318
Plan fiduciary net position	<u>(194,764)</u>
Net OPEB liability	<u>\$ 29,975,554</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.65%

F. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position* (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 35,763,676	\$ 99,374	\$ 35,664,302
Changes for the year:			
Service cost	1,019,113	-	1,019,113
Interest	1,732,648	-	1,732,648
Contributions - employer	-	708,222	(708,222)
Net investment income	-	6,360	(6,360)
Changes in assumptions or other inputs	(7,725,927)	-	(7,725,927)
Benefit payments	<u>(619,192)</u>	<u>(619,192)</u>	<u>-</u>
Net Changes	<u>(5,593,358)</u>	<u>95,390</u>	<u>(5,688,748)</u>
Balances, end of year	<u>\$ 30,170,318</u>	<u>\$ 194,764</u>	<u>\$ 29,975,554</u>

*Amounts differ from page 23 because of timing differences.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.5% in 2017 to 4.75% in 2018.

G. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 36,031,385	\$ 29,975,554	\$ 25,281,477

H. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it as calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 20,512,761	\$ 29,975,554	\$ 42,445,473

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

For the year ended June 30, 2018, the Town recognized an OPEB expense of \$930,775. At June 30, 2018, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ -	\$ 6,622,223
Net difference between projected and actual OPEB investment earnings	<u>2,700</u>	<u>-</u>
Total	<u>\$ 2,700</u>	<u>\$ 6,622,223</u>

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

<u>Year Ended June 30:</u>	
2019	\$ (1,103,029)
2020	(1,103,029)
2021	(1,103,029)
2022	(1,103,029)
2023	(1,103,704)
Thereafter	<u>(1,103,703)</u>
Total	\$ <u><u>(6,619,523)</u></u>

21. Commitments and Contingencies

Outstanding Legal Issues - On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

22. Beginning Fund Balance/Net Position Restatement

The beginning (July 1, 2017) fund balance/net position of the Town has been restated as follows:

Government-Wide Financial Statements:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u> Enterprise <u>Funds</u>	<u>Total</u>
As previously reported	\$ 28,867,157	\$ 11,762,399	\$ 40,629,556
Implementation of GASB 75 OPEB	<u>(24,227,174)</u>	<u>(93,448)</u>	<u>(24,320,622)</u>
As restated	\$ <u><u>4,639,983</u></u>	\$ <u><u>11,668,951</u></u>	\$ <u><u>16,308,934</u></u>

Fund Basis Financial Statements:

	DPW Road <u>Repair</u>	High School <u>Construction</u>	Nonmajor Governmental <u>Funds</u>
As previously reported	\$ (1,247,124)	\$ (1,133,502)	\$ 4,086,723
Change in major fund	<u>1,247,124</u>	<u>1,133,502</u>	<u>(2,380,626)</u>
As restated	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,706,097</u></u>

TOWN OF TYNGSBOROUGH, MASSACHUSETTS

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)

JUNE 30, 2018
(Unaudited)

Middlesex County Contributory Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2018	December 31, 2017	1.472497%	\$20,897,452	\$ 8,131,921	256.98%	49.27%
June 30, 2017	December 31, 2016	1.605358%	\$20,897,452	\$ 7,396,732	282.52%	45.49%
June 30, 2016	December 31, 2015	4.120452%	\$17,982,560	\$ 7,440,290	241.69%	46.13%
June 30, 2015	December 31, 2014	1.360499%	\$16,343,894	\$ 7,154,125	228.45%	47.65%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2018	June 30, 2017	0.189449%	\$ 43,356,215	\$ -	\$ 43,356,215	\$ 12,864,474	337.02%	54.25%
June 30, 2017	June 30, 2016	0.187803%	\$ 41,988,965	\$ -	\$ 41,988,965	\$ 12,353,033	339.91%	52.73%
June 30, 2016	June 30, 2015	0.193259%	\$ 39,598,060	\$ -	\$ 39,598,060	\$ 12,250,472	323.24%	55.38%
June 30, 2015	June 30, 2014	0.198238%	\$ 31,512,556	\$ -	\$ 31,512,556	\$ 12,154,951	259.26%	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF TYNGSBOROUGH, MASSACHUSETTS
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2018
(Unaudited)

Middlesex County Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	December 31, 2017	\$ 1,832,388	\$ 1,832,388	\$ -	\$ 8,131,921	22.53%
June 30, 2017	December 31, 2016	\$ 1,530,059	\$ 1,530,059	\$ -	\$ 7,396,732	20.69%
June 30, 2016	December 31, 2015	\$ 1,437,048	\$ 1,437,048	\$ -	\$ 7,440,290	19.31%
June 30, 2015	December 31, 2014	\$ 1,399,358	\$ 1,399,358	\$ -	\$ 7,154,125	19.56%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	June 30, 2017	\$ 2,340,675	\$ 2,340,675	\$ -	\$ 12,864,474	18.19%
June 30, 2017	June 30, 2016	\$ 2,112,006	\$ 2,112,006	\$ -	\$ 12,353,033	17.10%
June 30, 2016	June 30, 2015	\$ 1,974,971	\$ 1,974,971	\$ -	\$ 12,250,472	16.12%
June 30, 2015	June 30, 2014	\$ 1,858,238	\$ 1,858,238	\$ -	\$ 12,154,951	15.29%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

**TOWN OF TYNGSBOROUGH, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

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

(Unaudited)

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 1,019,113	\$ 1,392,108
Interest on unfunded liability - time value of \$	1,732,648	1,218,906
Changes of assumptions	(7,725,927)	-
Benefit payments, including refunds of member contributions	<u>(619,192)</u>	<u>(557,463)</u>
Net change in total OPEB liability	(5,593,358)	2,053,551
Total OPEB liability - beginning	<u>35,763,676</u>	<u>33,710,125</u>
Total OPEB liability - ending (a)	30,170,318	35,763,676
 Plan fiduciary net position*		
Contributions - employer	708,222	557,463
Net investment income	6,360	7,010
Benefit payments, including refunds of member contributions	<u>(619,192)</u>	<u>(557,462)</u>
Net change in plan fiduciary net position	95,390	7,011
Plan fiduciary net position - beginning	<u>99,374</u>	<u>92,363</u>
Plan fiduciary net position - ending (b)	<u>194,764</u>	<u>99,374</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 29,975,554</u>	<u>\$ 35,664,302</u>

*Amounts differ from page 23 because of timing differences.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**TOWN OF TYNGSBOROUGH, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74 and 75)

(Unaudited)

Schedule of Net OPEB Liability

	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 30,170,318	\$ 35,763,676
Plan fiduciary net position	<u>(194,764)</u>	<u>(99,374)</u>
Net OPEB liability (asset)	<u>\$ 29,975,554</u>	<u>\$ 35,664,302</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.65%	0.28%

Schedule of Contributions

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 3,193,613	\$ 3,158,139
Contributions in relation to the actuarially determined contribution	<u>(708,222)</u>	<u>(557,463)</u>
Contribution deficiency (excess)	<u>\$ 2,485,391</u>	<u>\$ 2,600,676</u>

Schedule of Investment Returns

	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	4.02%	4.30%

*Schedules are intended to show information for 10 years.
Additional years will be displayed as they become available.*

See notes to Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.