

***TOWN OF MEDFIELD, MASSACHUSETTS***

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

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

TOWN OF MEDFIELD, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

**TABLE OF CONTENTS**

Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements.....	11
Statement of net position .....	13
Statement of activities .....	14
Governmental funds – balance sheet .....	16
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position.....	17
Governmental funds – statement of revenues, expenditures and changes in fund balances .....	18
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities .....	19
Proprietary funds – statement of net position .....	20
Proprietary funds – statement of revenues, expenses and changes in net position .....	21
Proprietary funds – statement of cash flows .....	22
Fiduciary funds – statement of fiduciary net position .....	23
Fiduciary funds – statement of changes in fiduciary net position .....	24
Notes to basic financial statements.....	25
Required Supplementary Information .....	57
General Fund Budgetary Schedule.....	59
Schedule of revenues, expenditures and other sources and uses – general fund – budget and actual .....	60
Pension Plan Schedules .....	62
Schedule of the town's proportionate share of the net pension liability .....	63
Schedule of contributions .....	64
Schedule of special funding amounts .....	65
Other Postemployment Benefit Plan Schedules .....	66
Schedule of changes in the Town's net OPEB liability and related ratios .....	67
Schedule of Town contributions .....	68
Schedule of investment returns.....	69
Schedule of employer contributions .....	70
Schedule of actuarial methods and assumptions.....	71
Notes to Required Supplementary Information.....	72



100 Quannapowitt Parkway  
Suite 101  
Wakefield, MA 01880  
T. 781-914-1700  
F. 781-914-1701  
[www.powersandsullivan.com](http://www.powersandsullivan.com)

## **Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Medfield, Massachusetts

## **Report on the Financial Statements**

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

## **Management's Responsibility for the Financial Statements**

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

## **Auditor's Responsibility**

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2018, on our consideration of the Town of Medfield, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Medfield, Massachusetts' internal control over financial reporting and compliance.



March 15, 2018

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

## Management's Discussion and Analysis

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

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

### **Financial Highlights**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$87.1 million (net position).
- The Town's long-term debt was \$51.8 million at year end, a net decrease of \$3.8 million. This net decrease was due to current year principal payments totaling \$5.3 million offset by a current year debt issuance of \$1.5 million.
- As of the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$24.1 million, a decrease of \$6.8 million in comparison with the prior year.
- The Town's other postemployment (OPEB) benefit liability increased by \$2.1 million and totals \$18.6 million as of June 30, 2017.
- The Town's net pension liability decreased by \$781,000 and totals \$19.2 million as of June 30, 2017.

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

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in

this statement for some items that will only result in cash flows in future periods (i.e. uncollected taxes and earned but unused vacation leave).

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

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

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

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

In accordance with accounting standards, the Town reports fund balance components as nonspendable, restricted, committed, assigned and unassigned. Additionally, the Town's stabilization funds are reported within the general fund.

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

**Proprietary funds.** The Town of Medfield maintains one type of proprietary funds:

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

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains two different fiduciary funds. The private purpose trust fund is used to account for resources held in trust which principal and investment income exclusively benefit individuals, private organizations, or other governments. The agency fund is used to account for assets held in a purely custodial capacity.

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

**Government-wide Financial Analysis**

As noted earlier net position may serve, over time, as a useful indicator of a government’s financial position. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$87.1 million at the close of 2017. Key components of the Town’s governmental and business-type financial position follow.

A significant portion of the Town’s net position, \$95.7 million, reflects its investment in capital assets (i.e. land, buildings, infrastructure, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens: consequently these assets are *not* available for future spending. Although the Town’s investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town’s net position, \$9.8 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position totals a deficit of \$18.3 million and may be used to meet the government’s ongoing obligations to citizens and creditors.

**Governmental Activities.** For the Town’s governmental activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$76.3 million at the close of 2017.

	2017	2016
<b>Assets:</b>		
Current assets.....	\$ 29,553,545	\$ 37,856,471
Noncurrent assets (excluding capital).....	1,332,435	1,707,878
Capital assets.....	129,677,419	126,969,709
<b>Total assets.....</b>	<b>160,563,399</b>	<b>166,534,058</b>
<b>Deferred outflows of resources.....</b>	<b>2,543,219</b>	<b>3,682,782</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	5,114,659	6,380,145
Noncurrent liabilities (excluding debt).....	37,466,268	35,989,083
Current debt.....	4,660,577	4,605,099
Noncurrent debt.....	38,308,694	41,469,271
<b>Total liabilities.....</b>	<b>85,550,198</b>	<b>88,443,598</b>
<b>Deferred inflows of resources.....</b>	<b>1,261,813</b>	<b>1,612,774</b>
<b>Net Position:</b>		
Net investment in capital assets.....	88,021,404	87,859,280
Restricted.....	9,767,413	10,677,912
Unrestricted.....	(21,494,210)	(18,376,724)
<b>Total net position.....</b>	<b>\$ 76,294,607</b>	<b>\$ 80,160,468</b>

The governmental activities net position decreased by \$3.9 million during the current year. The decrease is primarily due to a \$2.1 million increase in the Town’s other postemployment benefit liability, the planned use of reserves to balance the budget and a reduction in the amount of prior year carryforwards of \$632,000.

	<u>2017</u>	<u>2016</u>
<b>Program Revenues:</b>		
Charges for services.....	\$ 4,887,642	\$ 4,839,227
Operating grants and contributions.....	14,770,156	12,633,083
Capital grants and contributions.....	617,781	1,245,312
<b>General Revenues:</b>		
Real estate and personal property taxes.....	42,509,248	41,400,875
Motor vehicle and other excise taxes.....	2,296,417	2,322,788
Penalties and Interest.....	143,556	106,576
Nonrestricted grants.....	1,747,971	1,675,021
Unrestricted investment income (loss).....	303,875	464,169
Miscellaneous.....	38,005	(5,456)
<b>Total revenues.....</b>	<b><u>67,314,651</u></b>	<b><u>64,681,595</u></b>
<b>Expenses:</b>		
General government.....	3,938,828	3,393,887
Public safety.....	6,672,214	6,198,724
Education.....	51,451,373	44,011,981
Public works.....	5,192,319	5,092,951
Human services.....	908,707	749,982
Culture and recreation.....	2,292,126	2,043,514
Interest.....	1,546,751	1,563,052
<b>Total expenses.....</b>	<b><u>72,002,318</u></b>	<b><u>63,054,091</u></b>
<b>Excess (deficiency) before transfers.....</b>	<b><u>(4,687,667)</u></b>	<b><u>1,627,504</u></b>
<b>Transfers.....</b>	<b><u>821,806</u></b>	<b><u>516,989</u></b>
<b>Change in net position.....</b>	<b><u>(3,865,861)</u></b>	<b><u>2,144,493</u></b>
<b>Net position - beginning of year.....</b>	<b><u>80,160,468</u></b>	<b><u>78,015,975</u></b>
<b>Net position - end of year.....</b>	<b><u>\$ 76,294,607</u></b>	<b><u>\$ 80,160,468</u></b>

Governmental expenses totaled \$72 million of which \$20.3 million was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$47.0 million, primarily coming from property taxes, excise taxes, and grants not restricted to specific programs.

Charges for services represent about 24.1% of governmental program revenues. The Town can exercise more control over this category of revenue than any other. Fees charged for services rendered are set by Town Meeting and Town boards.

Operating and capital grants and contributions account for 72.8% of the governmental program revenues. Most of these resources apply to education operations. These resources offset costs of the school department over and above the general fund operating budget.

Property taxes are the most significant revenue source for the Town's governmental activities. They comprise 63.1% of all revenues. Other taxes comprise 3.4% of the governmental activity's revenues.

Education is the largest governmental activity of the Town. A total of \$51.5 million was expended for education, of which \$16.7 million was funded by program revenues. The remaining \$34.8 million was funded by taxes and other revenue.

**Business-type Activities.** Business-type activities increased the Town's net position by \$533,000. Key elements of this increase are as follows:

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Current assets.....	\$ 4,754,394	\$ 5,206,940
Capital assets.....	<u>16,232,438</u>	<u>16,275,129</u>
<b>Total assets.....</b>	<b>20,986,832</b>	<b>21,482,069</b>
<b>Deferred outflows of resources.....</b>	<b>107,316</b>	<b>173,540</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	267,638	490,386
Noncurrent liabilities (excluding debt).....	1,105,515	1,217,815
Current debt.....	711,902	735,567
Noncurrent debt.....	<u>8,164,329</u>	<u>8,876,231</u>
<b>Total liabilities.....</b>	<b>10,249,384</b>	<b>11,319,999</b>
<b>Deferred inflows of resources.....</b>	<b>50,245</b>	<b>73,991</b>
<b>Net Position:</b>		
Net investment in capital assets.....	7,648,817	7,438,285
Unrestricted.....	<u>3,145,702</u>	<u>2,823,334</u>
<b>Total net position.....</b>	<b>\$ <u>10,794,519</u></b>	<b>\$ <u>10,261,619</u></b>
<b>Program Revenues:</b>		
Charges for services.....	\$ 3,755,756	\$ 4,073,893
<b>Expenses.....</b>		
Sewer.....	1,229,723	1,375,026
Water.....	<u>1,171,327</u>	<u>1,141,236</u>
Total expenses.....	<b>2,401,050</b>	<b>2,516,262</b>
<b>Excess before transfers.....</b>	<b>1,354,706</b>	<b>1,557,631</b>
<b>Transfers.....</b>	<b><u>(821,806)</u></b>	<b><u>(516,989)</u></b>
<b>Change in net position.....</b>	<b>532,900</b>	<b>1,040,642</b>
<b>Net position - beginning of year.....</b>	<b><u>10,261,619</u></b>	<b><u>9,220,977</u></b>
<b>Net position - end of year.....</b>	<b>\$ <u>10,794,519</u></b>	<b>\$ <u>10,261,619</u></b>

Business-type net position of \$7.7 million (70.9%) represents investments in capital assets net of related debt. The remaining \$3.1 million (29.1%) is available to be used for the ongoing operation of the Town's sewer and water enterprises.

Net position of the water enterprise fund increased \$615,000 during 2017. This increase is primarily due to the fact that rates are designed to cover debt service principal and capital costs.

Net position of the sewer enterprise fund decreased \$83,000 during 2017. This decrease is primarily due to revenues decreasing at a faster rate than expenditures.

### **Financial Analysis of the Government's Funds**

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

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

At the end of the current year, the Town's governmental funds reported combined ending fund balances totaling \$24.1 million. Of this amount \$17.9 million is for the general fund, \$1 million relates to the capital project fund and \$5.2 million is comprised of nonmajor funds. Cumulatively there was a decrease of \$6.9 million in fund balances from the prior year.

The general fund is the chief operating fund of the Town. At the end of the current year, unassigned fund balance of the general fund was \$5.2 million while total fund balance was \$17.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 7.9% of the total general fund budgetary expenditures, while total fund balance represents 27.2% of that same amount. In 2017, all funds previously recorded in the other postemployment benefit (OPEB) Stabilization fund were transferred to an OPEB Trust fund presented in the fiduciary fund financial statements.

The general fund balance decreased by \$3.3 million during the current year. This was due to \$2 million of funds previously recorded in an OPEB Stabilization fund, presented a part of the general fund, which were transferred to an OPEB trust fund presented in the fiduciary fund financial statements. Decrease in fund balance was also attributable to the planned use of reserves.

The capital project fund balance decreased by \$3.6 million during the current year. This was due to the completion of projects related to the public safety building as well as the High School field.

The nonmajor funds increased by \$90,000 during the current year. This was due to the timing of state and federal grant expenditures and when revenues were received.

## **Fiduciary Funds**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*, was implemented this year. This standard added Note disclosures and Required Supplemental Information for the Town's OPEB Trust fund. Its sister standard, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment benefits Other Than Pensions*, is required to be implemented in FY2018. This standard will affect the financial statements themselves by requiring the Town to record its OPEB assets, liabilities, and deferred financial statement elements for the first time.

## **General Fund Budgetary Highlights**

The initial budget and the encumbrances and continuing appropriations (original budget) totaled \$61.5 million. Changes during the year consisted largely of allocations between and among departments. The net decrease to the final budget totaled \$756,000.

General fund revenues came in approximately \$870,000 more than budgeted while general fund expenditures came in \$1.1 million less than budgeted.

## **Capital Asset and Debt Administration**

In conjunction with the annual operating budget, the Town of Medfield annually prepares a capital budget for the upcoming year.

**Capital Assets.** The Town of Medfield's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$145.9 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, machinery and equipment, vehicles, textbooks and software and infrastructure.

**Debt Administration.** Outstanding long-term debt of the general government, as of June 30, 2017, totaled \$43 million. During 2017, the Town paid down \$4.6 million in debt principal expense and issued \$1.5 million of Municipal Purpose Bonds.

The sewer enterprise fund has outstanding long-term debt totaling \$2.2 million. During 2017, the Town paid down \$275,000 in debt principal expense.

The water enterprise fund has outstanding long-term debt totaling \$6.7 million. During 2017, the Town paid down \$461,000 in debt principal expense.

The Town maintains an "Aa1" bond rating from Moody's.

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

## **Requests for Information**

This financial report is designed to provide a general overview of the Town of Medfield's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, 459 Main Street, Medfield, MA 02052.

# ***Basic Financial Statements***

This page intentionally left blank.

## STATEMENT OF NET POSITION

JUNE 30, 2017

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 17,884,200	\$ 3,295,914	\$ 21,180,114
Investments.....	10,472,941	-	10,472,941
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	333,850	-	333,850
Tax liens.....	379,878	-	379,878
Motor vehicle and other excise taxes.....	80,820	-	80,820
Water fees.....	-	822,757	822,757
Sewer fees.....	-	635,723	635,723
Departmental and other.....	117,100	-	117,100
Special assessments.....	262,124	-	262,124
Intergovernmental.....	22,632	-	22,632
Total current assets.....	<u>29,553,545</u>	<u>4,754,394</u>	<u>34,307,939</u>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	1,332,435	-	1,332,435
Capital assets, nondepreciable.....	21,523,635	7,136,471	28,660,106
Capital assets, net of accumulated depreciation.....	<u>108,153,784</u>	<u>9,095,967</u>	<u>117,249,751</u>
Total noncurrent assets.....	<u>131,009,854</u>	<u>16,232,438</u>	<u>147,242,292</u>
<b>TOTAL ASSETS.....</b>	<b><u>160,563,399</u></b>	<b><u>20,986,832</u></b>	<b><u>181,550,231</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding.....	277,610	17,100	294,710
Deferred outflows related to pensions.....	2,265,609	90,216	2,355,825
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b><u>2,543,219</u></b>	<b><u>107,316</u></b>	<b><u>2,650,535</u></b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	1,877,990	169,498	2,047,488
Accrued liabilities.....	13,251	-	13,251
Accrued payroll.....	1,847,578	9,899	1,857,477
Accrued interest.....	293,694	62,241	355,935
Payroll withholdings.....	165,573	-	165,573
Other liabilities.....	24,014	-	24,014
Unearned revenue.....	331,959	-	331,959
Landfill closure.....	23,000	-	23,000
Compensated absences.....	537,600	26,000	563,600
Bonds payable.....	4,660,577	711,902	5,372,479
Total current liabilities.....	<u>9,775,236</u>	<u>979,540</u>	<u>10,754,776</u>
<b>NONCURRENT:</b>			
Landfill closure.....	92,000	-	92,000
Compensated absences.....	593,400	4,000	597,400
Other postemployment benefits obligation.....	18,283,501	364,958	18,648,459
Net pension liability.....	18,497,367	736,557	19,233,924
Bonds payable.....	38,308,694	8,164,329	46,473,023
Total noncurrent liabilities.....	<u>75,774,962</u>	<u>9,269,844</u>	<u>85,044,806</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>85,550,198</u></b>	<b><u>10,249,384</u></b>	<b><u>95,799,582</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	1,261,813	50,245	1,312,058
<b>NET POSITION</b>			
Net investment in capital assets.....	88,021,404	7,648,817	95,670,221
Restricted for:			
Debt service.....	6,971,512	-	6,971,512
Permanent funds:			
Expendable.....	964,221	-	964,221
Nonexpendable.....	1,196,696	-	1,196,696
Gifts and grants.....	634,984	-	634,984
Unrestricted.....	(21,494,210)	3,145,702	(18,348,508)
<b>TOTAL NET POSITION.....</b>	<b><u>\$ 76,294,607</u></b>	<b><u>\$ 10,794,519</u></b>	<b><u>\$ 87,089,126</u></b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 3,938,828	\$ 555,838	\$ 94,363	\$ -	\$ (3,288,627)
Public safety.....	6,672,214	1,068,467	1,000	-	(5,602,747)
Education.....	51,451,373	2,196,390	14,510,693	-	(34,744,290)
Public works.....	5,192,319	225,209	12,050	617,781	(4,337,279)
Human services.....	908,707	108,037	37,333	-	(763,337)
Culture and recreation.....	2,292,126	733,701	100,976	-	(1,457,449)
Interest.....	1,546,751	-	13,741	-	(1,533,010)
Total Governmental Activities.....	<u>72,002,318</u>	<u>4,887,642</u>	<u>14,770,156</u>	<u>617,781</u>	<b>(51,726,739)</b>
<i>Business-Type Activities:</i>					
Sewer.....	1,229,723	1,697,263	-	-	467,540
Water.....	<u>1,171,327</u>	<u>2,058,493</u>	-	-	<u>887,166</u>
Total Business-Type Activities.....	<u>2,401,050</u>	<u>3,755,756</u>	-	-	<b>1,354,706</b>
Total Primary Government.....	<u>\$ 74,403,368</u>	<u>\$ 8,643,398</u>	<u>\$ 14,770,156</u>	<u>\$ 617,781</u>	<b><u>(50,372,033)</u></b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

YEAR ENDED JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ <b>(51,726,739)</b>	\$ <b>1,354,706</b>	\$ <b>(50,372,033)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	42,464,752	-	42,464,752
Tax liens.....	44,496	-	44,496
Motor vehicle and other excise taxes.....	2,146,732	-	2,146,732
Meals tax.....	149,685	-	149,685
Penalties and interest on taxes.....	143,556	-	143,556
Grants and contributions not restricted to specific programs.....	1,747,971	-	1,747,971
Unrestricted investment income (loss).....	303,875	-	303,875
Miscellaneous.....	38,005	-	38,005
<i>Transfers, net</i> .....	821,806	(821,806)	-
<b>Total general revenues and transfers.....</b>	<b>47,860,878</b>	<b>(821,806)</b>	<b>47,039,072</b>
 Change in net position.....	 (3,865,861)	 532,900	 (3,332,961)
<i>Net Position:</i>			
Beginning of year.....	80,160,468	10,261,619	90,422,087
End of year.....	\$ <u>76,294,607</u>	\$ <u>10,794,519</u>	\$ <u>87,089,126</u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2017

	General	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 12,885,083	\$ 1,035,646	\$ 3,963,471	\$ 17,884,200
Investments.....	8,700,559	-	1,772,382	10,472,941
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	333,850	-	-	333,850
Tax liens.....	379,878	-	-	379,878
Motor vehicle and other excise taxes.....	80,820	-	-	80,820
Departmental and other.....	117,100	-	-	117,100
Special assessments.....	1,594,559	-	-	1,594,559
Intergovernmental.....	-	-	22,632	22,632
<b>TOTAL ASSETS.....</b>	<b>\$ 24,091,849</b>	<b>\$ 1,035,646</b>	<b>\$ 5,758,485</b>	<b>\$ 30,885,980</b>
<b>LIABILITIES</b>				
Warrants payable.....	\$ 1,658,735	\$ 8,850	\$ 210,405	\$ 1,877,990
Accrued liabilities.....	13,251	-	-	13,251
Accrued payroll.....	1,817,828	-	29,750	1,847,578
Payroll withholdings.....	165,573	-	-	165,573
Other liabilities.....	24,014	-	-	24,014
Unearned revenues.....	-	-	331,959	331,959
<b>TOTAL LIABILITIES.....</b>	<b>3,679,401</b>	<b>8,850</b>	<b>572,114</b>	<b>4,260,365</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues.....	2,469,967	-	22,632	2,492,599
<b>FUND BALANCES</b>				
Nonspendable.....	-	-	1,196,696	1,196,696
Restricted.....	10,624,923	-	4,186,426	14,811,349
Committed.....	410,914	1,026,796	-	1,437,710
Assigned.....	1,660,350	-	-	1,660,350
Unassigned.....	5,246,294	-	(219,383)	5,026,911
<b>TOTAL FUND BALANCES.....</b>	<b>17,942,481</b>	<b>1,026,796</b>	<b>5,163,739</b>	<b>24,133,016</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b>\$ 24,091,849</b>	<b>\$ 1,035,646</b>	<b>\$ 5,758,485</b>	<b>\$ 30,885,980</b>

See notes to basic financial statements.

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

JUNE 30, 2017

Total governmental fund balances.....	\$	24,133,016
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		129,677,419
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		2,492,599
Deferred loss on refunding.....		277,610
Certain changes in the net pension liability are required to be included in pension expenses over future periods. These changes are reported a deferred outflows of resources or (deferred inflows of resources) related to pensions.....		1,003,796
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(293,694)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(42,969,271)	
Landfill liability.....	(115,000)	
Compensated absences.....	(1,131,000)	
Other postemployment benefits obligation.....	(18,283,501)	
Net pension liability.....	<u>(18,497,367)</u>	
Net effect of reporting long-term liabilities.....		<u>(80,996,139)</u>
Net position of governmental activities.....	\$	<u><u>76,294,607</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

	General	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ 42,533,471	\$ -	\$ -	\$ 42,533,471
Tax liens.....	152,764	-	-	152,764
Motor vehicle and other excise taxes.....	2,131,133	-	-	2,131,133
Meals tax.....	149,685	-	-	149,685
Charges for services.....	-	-	3,194,674	3,194,674
Penalties and interest on taxes.....	118,857	-	-	118,857
Fees.....	76,116	-	-	76,116
Rentals.....	296,399	-	-	296,399
Payments in lieu of taxes.....	3,352	-	-	3,352
Licenses and permits.....	579,796	-	-	579,796
Fines and forfeitures.....	21,347	-	153,711	175,058
Intergovernmental.....	14,632,865	-	2,036,856	16,669,721
Departmental and other.....	608,393	-	120,312	728,705
Special assessments.....	384,174	-	-	384,174
Contributions.....	-	-	340,138	340,138
Investment income.....	296,978	-	6,897	303,875
Miscellaneous.....	-	-	11,693	11,693
<b>TOTAL REVENUES.....</b>	<b>61,985,330</b>	<b>-</b>	<b>5,864,281</b>	<b>67,849,611</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	2,304,822	-	240,882	2,545,704
Public safety.....	4,548,828	3,944,413	222,336	8,715,577
Education.....	39,390,668	1,500,000	3,500,811	44,391,479
Public works.....	2,812,629	10,201	743,381	3,566,211
Human services.....	509,753	-	137,888	647,641
Culture and recreation.....	1,174,966	-	681,897	1,856,863
Pension benefits.....	2,084,180	-	-	2,084,180
Property and liability insurance.....	166,684	-	-	166,684
Employee benefits.....	6,442,546	-	-	6,442,546
State and county charges.....	550,074	-	-	550,074
Debt service:				
Principal.....	4,429,300	-	-	4,429,300
Interest.....	1,667,594	-	-	1,667,594
<b>TOTAL EXPENDITURES.....</b>	<b>66,082,044</b>	<b>5,454,614</b>	<b>5,527,195</b>	<b>77,063,853</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(4,096,714)</b>	<b>(5,454,614)</b>	<b>337,086</b>	<b>(9,214,242)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of bonds and notes.....	-	1,500,000	-	1,500,000
Premium from issuance of bonds.....	-	45,000	-	45,000
Transfers in.....	864,017	240,000	123,950	1,227,967
Transfers out.....	(35,000)	-	(371,161)	(406,161)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>829,017</b>	<b>1,785,000</b>	<b>(247,211)</b>	<b>2,366,806</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(3,267,697)</b>	<b>(3,669,614)</b>	<b>89,875</b>	<b>(6,847,436)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>21,210,178</b>	<b>4,696,410</b>	<b>5,073,864</b>	<b>30,980,452</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 17,942,481</b>	<b>\$ 1,026,796</b>	<b>\$ 5,163,739</b>	<b>\$ 24,133,016</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds.....		\$ (6,847,436)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	7,024,592	
Depreciation expense.....	<u>(4,316,882)</u>	
Net effect of reporting capital assets.....		2,707,710
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(579,960)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of bonds and notes.....	(1,500,000)	
Amortization of bond premiums.....	175,799	
Debt service principal payments.....	<u>4,429,300</u>	
Net effect of reporting long-term debt.....		3,105,099
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(30,000)	
Net change in landfill liability.....	23,000	
Net change in accrued interest on long-term debt.....	23,113	
Amortization of deferred charge on refunding.....	(78,069)	
Net change in other postemployment benefits obligation.....	(2,118,027)	
Net change in deferred outflows of resources related to pensions.....	(710,533)	
Net change in net pension liability.....	<u>639,242</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>(2,251,274)</u>
Change in net position of governmental activities.....		\$ <u><u>(3,865,861)</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2017

	Sewer Enterprise	Water Enterprise	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 1,111,689	\$ 2,184,225	\$ 3,295,914
Receivables, net of allowance for uncollectibles:			
Water fees.....	-	822,757	822,757
Sewer fees.....	635,723	-	635,723
Total current assets.....	<u>1,747,412</u>	<u>3,006,982</u>	<u>4,754,394</u>
<b>NONCURRENT:</b>			
Capital assets, nondepreciable.....	-	7,136,471	7,136,471
Capital assets, depreciable.....	5,070,300	4,025,667	9,095,967
Total noncurrent assets.....	<u>5,070,300</u>	<u>11,162,138</u>	<u>16,232,438</u>
<b>TOTAL ASSETS.....</b>	<u>6,817,712</u>	<u>14,169,120</u>	<u>20,986,832</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding.....	17,100	-	17,100
Deferred outflows related to pensions.....	40,467	49,749	90,216
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<u>57,567</u>	<u>49,749</u>	<u>107,316</u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	13,143	156,355	169,498
Accrued payroll.....	3,793	6,106	9,899
Accrued interest.....	18,465	43,776	62,241
Compensated absences.....	6,000	20,000	26,000
Bonds payable.....	251,102	460,800	711,902
Total current liabilities.....	<u>292,503</u>	<u>687,037</u>	<u>979,540</u>
<b>NONCURRENT:</b>			
Compensated absences.....	-	4,000	4,000
Other postemployment benefits obligation.....	198,786	166,172	364,958
Net pension liability.....	330,388	406,169	736,557
Bonds payable.....	1,942,829	6,221,500	8,164,329
Total noncurrent liabilities.....	<u>2,472,003</u>	<u>6,797,841</u>	<u>9,269,844</u>
<b>TOTAL LIABILITIES.....</b>	<u>2,764,506</u>	<u>7,484,878</u>	<u>10,249,384</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	22,538	27,707	50,245
<b>NET POSITION</b>			
Net investment in capital assets.....	2,900,961	4,747,856	7,648,817
Unrestricted.....	1,187,274	1,958,428	3,145,702
<b>TOTAL NET POSITION.....</b>	<u>\$ 4,088,235</u>	<u>\$ 6,706,284</u>	<u>\$ 10,794,519</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

	Sewer Enterprise	Water Enterprise	Total
<b>OPERATING REVENUES:</b>			
Charges for services .....	\$ 1,697,263	\$ 2,058,493	\$ 3,755,756
<b>OPERATING EXPENSES:</b>			
Cost of services and administration .....	868,593	741,340	1,609,933
Depreciation.....	282,621	226,857	509,478
<b>TOTAL OPERATING EXPENSES .....</b>	<b>1,151,214</b>	<b>968,197</b>	<b>2,119,411</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>546,049</b>	<b>1,090,296</b>	<b>1,636,345</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest expense.....	(78,509)	(203,130)	(281,639)
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>467,540</b>	<b>887,166</b>	<b>1,354,706</b>
<b>TRANSFERS:</b>			
Transfers out.....	(550,028)	(271,778)	(821,806)
<b>CHANGE IN NET POSITION.....</b>	<b>(82,488)</b>	<b>615,388</b>	<b>532,900</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>4,170,723</b>	<b>6,090,896</b>	<b>10,261,619</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 4,088,235</b>	<b>\$ 6,706,284</b>	<b>\$ 10,794,519</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Fund		
	Sewer Enterprise	Water Enterprise	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>			
Receipts from customers and users.....	\$ 1,710,816	\$ 2,088,515	\$ 3,799,331
Payments to vendors.....	(679,103)	(672,923)	(1,352,026)
Payments to employees.....	(253,723)	(295,642)	(549,365)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>777,990</b>	<b>1,119,950</b>	<b>1,897,940</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>			
Transfers out.....	(550,028)	(271,778)	(821,806)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(550,028)</b>	<b>(271,778)</b>	<b>(821,806)</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>			
Acquisition and construction of capital assets.....	(110,000)	(356,787)	(466,787)
Principal payments on bonds and notes.....	(274,767)	(460,800)	(735,567)
Interest paid on capital debt.....	(80,651)	(205,900)	(286,551)
Amortization of deferred loss on refundings.....	3,800	-	3,800
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(461,618)</b>	<b>(1,023,487)</b>	<b>(1,485,105)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(233,656)</b>	<b>(175,315)</b>	<b>(408,971)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>1,345,345</b>	<b>2,359,540</b>	<b>3,704,885</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 1,111,689</b>	<b>\$ 2,184,225</b>	<b>\$ 3,295,914</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>			
Operating income (loss).....	\$ 546,049	\$ 1,090,296	\$ 1,636,345
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	282,621	226,857	509,478
Changes in assets and liabilities:			
Water fees.....	-	30,022	30,022
Sewer fees.....	13,553	-	13,553
Warrants payable.....	13,143	(229,657)	(216,514)
Accrued payroll.....	(400)	1,078	678
Accrued compensated absences.....	(5,000)	2,000	(3,000)
Postemployment benefits obligation.....	11,158	18,932	30,090
Deferred outflows/inflows related to pensions.....	20,996	17,682	38,678
Net pension liability.....	(104,130)	(37,260)	(141,390)
Total adjustments.....	231,941	29,654	261,595
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 777,990</b>	<b>\$ 1,119,950</b>	<b>\$ 1,897,940</b>
<b><u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u></b>			
Intergovernmental subsidy of principal and interest payments.....	\$ 13,741		

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ -	39,141	\$ 173,678
Investments.....	<u>2,238,173</u>	<u>130,508</u>	<u>-</u>
<b>TOTAL ASSETS</b> .....	<u>2,238,173</u>	<u>169,649</u>	<u>173,678</u>
<b>LIABILITIES</b>			
Liabilities due depositors.....	<u>-</u>	<u>-</u>	<u>173,678</u>
<b>NET POSITION</b>			
Held in trust.....	<u>\$ 2,238,173</u>	<u>169,649</u>	<u>\$ -</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
<b>ADDITIONS:</b>		
Contributions:		
Employer Contributions to the trust.....	\$ 1,984,778	-
Employer Contributions to Pay Benefit Payments.....	1,407,000	
Private donations.....	-	140
<b>Total Contributions.....</b>	<b>3,391,778</b>	<b>140</b>
Net investment income (loss):		
Net change in fair value of investments.....	253,395	(114)
<b>DEDUCTIONS:</b>		
Benefit Payments.....	1,407,000	-
Educational scholarships.....	-	14,500
<b>TOTAL DEDUCTIONS.....</b>	<b>1,407,000</b>	<b>14,500</b>
<b>CHANGE IN NET POSITION.....</b>	<b>2,238,173</b>	<b>(14,474)</b>
NET POSITION AT BEGINNING OF YEAR.....	-	184,123
NET POSITION AT END OF YEAR.....	\$ 2,238,173	169,649

See notes to basic financial statements.

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

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

**A. Reporting Entity**

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

The Town of Medfield was incorporated in 1651. The Town operates under a Town Meeting form of government. The Town's major operations include police and fire protection, education, parks, library and recreation, public works and general administration services. In addition, the Town owns and operates a water system and solid waste disposal and recycling services.

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

***Joint Venture***

The Town has entered into a joint venture with the Towns of Franklin, Medway, Millis, Norfolk, North Attleborough, Plainville, Seekonk, Sherborn, Walpole and Wrentham, to pool resources and share the costs, risks and rewards of providing vocational education through the Tri-County Regional Vocational Technical High School. The Town of Medfield's 2017 assessment to Tri-County Regional Vocational Technical High School was \$130,773. The District issues a separate audited financial statement which may be obtained by contacting the District located at 147 Pond St, Franklin, MA 02038.

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

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

***Fund Financial Statements***

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

*Major Fund Criteria*

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

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

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

Internal service funds and fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

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

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

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

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

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

*Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

The following proprietary fund types are reported:

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

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

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

The following fiduciary fund types are reported:

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

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

The *agency fund* is used to account for assets held in a purely custodial capacity, such as collection and payment of charges for special details, escrow accounts, deposits and deputy collector accounts.

#### D. Cash and Investments

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

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

#### F. Fair Value Measurements

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

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

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

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

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

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

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

#### F. Accounts Receivable

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

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

##### ***Real Estate, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessors for 95% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

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

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

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

##### ***Motor Vehicle Excise***

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

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

**Sewer**

Sewer user fees are levied semi-annually for individual and small commercial meter readings and quarterly for large commercial meter readings. These fees are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Sewer charges and liens are recorded as receivables in the year of the levy.

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

**Water**

Water user fees are levied semi-annually for individual and small commercial meter readings and quarterly for large commercial meter readings. These fees are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed in December of every year and included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the year of the levy.

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

**Departmental and Other**

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

**Intergovernmental**

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

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

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

H. Capital Assets*Government-Wide and Proprietary Fund Financial Statements*

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

governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

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

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

Capital Asset Type	Estimated Useful Life (in years)
Computer software.....	3-7
Office equipment.....	3-10
Vehicles.....	5
Building improvements.....	20
Buildings.....	40
Infrastructure.....	30-75

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

*Governmental Fund Financial Statements*

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

I. Deferred Outflows/Inflows of Resources

*Government-Wide Financial Statements (Net Position)*

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

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

*Governmental Fund Financial Statements*

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

J. Interfund Receivables and Payables

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

*Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position.

*Fund Financial Statements*

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

K. Interfund Transfers

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

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

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building program and the Massachusetts Clean Water Trust's loan subsidy program is not considered to be capital related debt.

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

Net position has been "restricted for" the following:

"Debt service" represents funds received in prior years from the MSBA that have been set aside for future debt payments.

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

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

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

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

#### *Fund Financial Statements (Fund Balances)*

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

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

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

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

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

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

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

### M. Long-term debt

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

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

#### *Governmental Fund Financial Statements*

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

### N. Pensions

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

### O. Investment Income

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

### P. Compensated Absences

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

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

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

#### *Governmental Fund Financial Statements*

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

### Q. Use of Estimates

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

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

R. Total Column*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**NOTE 2 – CASH AND INVESTMENTS**

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

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

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town has adopted a formal policy to limit custodial credit risk of deposits. The policy limits the Town's uninsured, uncollateralized deposits to 5% of any one institution's assets and no more than 30% of the Town's cash. At year-end, the carrying amount of deposits totaled \$17,487,189 and the bank balance totaled \$18,109,179. Of the bank balance, \$4,073,665 was covered by Federal Depository Insurance, \$3,115,165 was covered by Depositor's Insurance Fund, \$5,870,630 was covered by Share's Insurance Fund, \$475,814 was covered by Securities Investor Protection Corporation and \$4,573,905 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

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

<b>Investment Type</b>	<b>Fair Value</b>	<b>Under 1 Year</b>	<b>Maturity 1-5 Years</b>	<b>6-10 Years</b>
<u>Debt Securities:</u>				
Government Sponsored Enterprises...	\$ 7,638,279	\$ 37,357	\$ 7,505,332	\$ 95,590
Corporate Bonds.....	<u>1,722,684</u>	<u>994,396</u>	<u>728,288</u>	<u>-</u>
Total Debt Securities.....	9,360,963	<u>\$ 1,031,753</u>	<u>\$ 8,233,620</u>	<u>\$ 95,590</u>
<u>Other Investments:</u>				
Equity Securities.....	337,573			
Equity Mutual Funds.....	904,913			
MMDT.....	3,905,744			
PRIT.....	<u>2,238,173</u>			
	<u>\$ 16,747,366</u>			

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

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town has custodial credit risk exposure of \$9,360,963 because the government sponsored enterprise securities and corporate bonds are uninsured, unregistered and held by the counterparty. The Town's policy related to custodial credit risk is to limit the Town's exposure to only those institutions with a proven financial strength, capital adequacy, and an overall affirmative reputation in the municipal industry.

Interest Rate Risk

To manage its exposure to fair value losses arising from increasing interest rates, the Town's policy limits the investment of short-term funds to maturities of up to twelve months.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer or backer. The Town's policy related to credit risk places no limit on investments in MMDT and U.S. Treasuries and Agencies. With regards to other investments, the Treasurer will limit purchases to investment grade securities with a high concentration in securities rated A or better. The Town's government sponsored enterprises of \$2,001,177 are rated AAA and \$5,637,102 are rated AA+. With regards to corporate bonds \$188,315 are rated AA+, \$634,610 are rated A and \$899,759 are rated BBB+.

Additionally, the Town holds \$3,905,744 in MMDT which is unrated.

Concentration of Credit Risk

The Town places no limit on the amount the government may invest in any one issuer. More than 5 percent of the Town's investments of \$12,841,662 are in the following securities:

<u>Issuer</u>	<u>Percent of Total Investments</u>
Federal Home Loan MTG.....	44%
United States Treasury Notes.....	9%
Federated Government Income Trust.....	7%
United States Treasury Bonds.....	6%
OPEB Master Trust.....	17%

Fair Market Value of Investments

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

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

The Town has the following recurring fair value measurements as of June 30, 2017:

Investment Type	6/30/17	Fair Value Measurements Using		
		Quoted Prices in Markets for Active Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
<u>Debt Securities:</u>				
Government Sponsored Enterprises.....	\$ 7,638,279	\$ 7,638,279	\$ -	-
Corporate bonds.....	1,722,684	-	1,722,684	-
Total debt securities.....	9,360,963	7,638,279	1,722,684	-
<u>Other investments:</u>				
Equity securities.....	337,573	337,573	-	-
Equity mutual funds.....	904,913	904,913	-	-
Total other investments.....	1,242,486	1,242,486	-	-
Total investments by fair value level.....	10,603,449	\$ 8,880,765	\$ 1,722,684	\$ -
<b>Investments measured at the new asset value (NAV)</b>				
PRIT.....	2,238,173			
<b>Investments measured at amortized cost</b>				
MMDT.....	3,905,744			
Total investments.....	\$ 16,747,366			

Government sponsored enterprises, equity securities, and equity mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

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

**NOTE 3 – RECEIVABLES**

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

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.... \$	334,925	\$ (1,075)	\$ 333,850
Tax liens.....	379,878	-	379,878
Motor vehicle and other excise taxes.....	80,820	-	80,820
Departmental and other.....	260,332	(143,232)	117,100
Special assessments.....	1,594,559	-	1,594,559
Intergovernmental.....	22,632	-	22,632
Total.....	<u>\$ 2,673,146</u>	<u>\$ (144,307)</u>	<u>\$ 2,528,839</u>

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

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Sewer fees..... \$	635,723	\$ -	\$ 635,723
Water fees.....	822,757	-	822,757
Total.....	<u>\$ 1,458,480</u>	<u>\$ -</u>	<u>\$ 1,458,480</u>

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

	General Fund	Nonmajor Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes....	\$ 297,611	\$ -	\$ 297,611
Tax liens.....	379,878	-	379,878
Motor vehicle and other excise taxes.....	80,820	-	80,820
Departmental and other.....	110,593	-	110,593
Special assessments.....	1,601,065	-	1,601,065
Intergovernmental.....	-	22,632	22,632
<b>Total.....</b>	<b>\$ 2,469,967</b>	<b>\$ 22,632</b>	<b>\$ 2,492,599</b>

Departmental and other receivables include approximately \$187,652 of summer recreation program fees that were collected in advance. These amounts are reported as *unearned revenue* on the governmental activities statement of net position.

**NOTE 4 – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 21,260,194	\$ -	\$ -	\$ 21,260,194
Construction in progress.....	17,058,853	241,871	(17,037,283)	263,441
<b>Total capital assets not being depreciated.....</b>	<b>38,319,047</b>	<b>241,871</b>	<b>(17,037,283)</b>	<b>21,523,635</b>
<u>Capital assets being depreciated:</u>				
Land improvements.....	21,957	-	-	21,957
Buildings and Improvements.....	92,714,645	21,322,196	-	114,036,841
Machinery and equipment.....	7,255,317	951,673	-	8,206,990
Vehicles.....	1,216,155	45,208	-	1,261,363
Textbooks and software.....	2,751,969	-	-	2,751,969
Infrastructure.....	52,297,954	1,500,927	-	53,798,881
<b>Total capital assets being depreciated.....</b>	<b>156,257,997</b>	<b>23,820,004</b>	<b>-</b>	<b>180,078,001</b>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(20,682)	(850)	-	(21,532)
Buildings and Improvements.....	(29,722,378)	(2,545,068)	-	(32,267,446)
Machinery and equipment.....	(5,208,286)	(417,470)	-	(5,625,756)
Vehicles.....	(924,107)	(94,052)	-	(1,018,159)
Textbooks and software.....	(2,611,948)	(26,856)	-	(2,638,804)
Infrastructure.....	(29,119,934)	(1,232,586)	-	(30,352,520)
<b>Total accumulated depreciation.....</b>	<b>(67,607,335)</b>	<b>(4,316,882)</b>	<b>-</b>	<b>(71,924,217)</b>
<b>Total capital assets being depreciated, net.....</b>	<b>88,650,662</b>	<b>19,503,122</b>	<b>-</b>	<b>108,153,784</b>
<b>Total governmental activities capital assets, net.....</b>	<b>\$ 126,969,709</b>	<b>\$ 19,744,993</b>	<b>\$ (17,037,283)</b>	<b>\$ 129,677,419</b>

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Sewer Activities:</b>				
<u>Capital assets being depreciated:</u>				
Building and Improvements.....	\$ 7,496,950	\$ -	\$ -	\$ 7,496,950
Machinery and equipment.....	1,158,998	50,000	-	1,208,998
Vehicles.....	106,080	60,000	-	166,080
Infrastructure.....	1,404,031	-	-	1,404,031
	<u>10,166,059</u>	<u>110,000</u>	<u>-</u>	<u>10,276,059</u>
<u>Less accumulated depreciation for:</u>				
Building and Improvements.....	(4,189,792)	(166,920)	-	(4,356,712)
Machinery and equipment.....	(359,754)	(74,242)	-	(433,996)
Vehicles.....	(90,930)	(12,060)	-	(102,990)
Infrastructure.....	(282,662)	(29,399)	-	(312,061)
	<u>(4,923,138)</u>	<u>(282,621)</u>	<u>-</u>	<u>(5,205,759)</u>
Total sewer capital assets, net.....	<u>\$ 5,242,921</u>	<u>\$ (172,621)</u>	<u>\$ -</u>	<u>\$ 5,070,300</u>
<b>Water Activities</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,248,033	\$ -	\$ -	\$ 1,248,033
Construction in progress.....	5,626,579	261,859	-	5,888,438
	<u>6,874,612</u>	<u>261,859</u>	<u>-</u>	<u>7,136,471</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	1,945,015	-	-	1,945,015
Machinery and equipment.....	469,889	-	-	469,889
Vehicles and other.....	219,689	94,928	-	314,617
Infrastructure.....	7,223,290	-	-	7,223,290
	<u>9,857,883</u>	<u>94,928</u>	<u>-</u>	<u>9,952,811</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(1,250,542)	(45,817)	-	(1,296,359)
Machinery and equipment.....	(314,152)	(24,211)	-	(338,363)
Vehicles and other.....	(219,690)	(9,493)	-	(229,183)
Infrastructure.....	(3,915,903)	(147,336)	-	(4,063,239)
	<u>(5,700,287)</u>	<u>(226,857)</u>	<u>-</u>	<u>(5,927,144)</u>
Total water capital assets being depreciated, net.....	<u>4,157,596</u>	<u>(131,929)</u>	<u>-</u>	<u>4,025,667</u>
Total water capital assets, net.....	<u>\$ 11,032,208</u>	<u>\$ 129,930</u>	<u>\$ -</u>	<u>\$ 11,162,138</u>

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

<b>Governmental Activities:</b>	
General government.....	\$ 81,868
Public safety.....	440,965
Education.....	1,921,232
Public works.....	1,687,383
Health and human services.....	91,399
Culture and recreation.....	<u>94,035</u>
Total depreciation expense - governmental activities.....	<u>\$ 4,316,882</u>
<b>Business-Type Activities:</b>	
Sewer.....	\$ 282,621
Water.....	<u>226,857</u>
Total depreciation expense - business-type activities.....	<u>\$ 509,478</u>

**NOTE 5 – INTERFUND TRANSFERS**

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

Transfers Out:	Transfers In:			Total
	General Fund	Capital Projects	Nonmajor Governmental Funds	
General Fund.....	\$ -	\$ -	\$ 35,000	\$ 35,000 (1)
Nonmajor Governmental Funds....	315,361	-	55,800	371,161 (2)
Sewer Enterprise Fund.....	276,878	240,000	33,150	550,028 (3)
Water Enterprise Fund.....	<u>271,778</u>	<u>-</u>	<u>-</u>	<u>271,778 (3)</u>
Total.....	<u>\$ 864,017</u>	<u>\$ 240,000</u>	<u>\$ 123,950</u>	<u>\$ 1,227,967</u>

- (1) Represents transfers from general fund to the unemployment trust funds.
- (2) Represents transfers between nonmajor funds and from nonmajor funds to the general fund.
- (3) Represents budgeted transfers from the sewer and water enterprise funds to the general fund for indirect costs. As well as transfers from the sewer capital enterprise fund to the governmental capital projects funds and from the sewer enterprise fund to the town special revenue funds.

**NOTE 6 – SHORT-TERM FINANCING**

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively.

The governmental and enterprise funds did not issue or redeem short-term debt during the year and did not have any amounts outstanding at year-end.

**NOTE 7 – LONG-TERM DEBT**

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

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

**Bonds Payable Schedule – Governmental Funds**

Issue:	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
MCWT Bond of 2001.....	2020	\$ 74,538	4.10-5.75%	\$ 16,400	\$ -	\$ (4,100)	\$ 12,300
MCWT Bond of 2004.....	2019	433,900	4-5.125%	111,100	-	(36,000)	75,100
Municipal Purpose Refunding Bonds of 2005.....	2020	8,311,300	3.68%	1,780,000	-	(455,000)	1,325,000
Municipal Purpose Bonds of 2007.....	2025	4,130,000	4-5%	1,935,000	-	(235,000)	1,700,000
Municipal Purpose Bond of 2010.....	2025	1,550,000	2-4%	920,000	-	(105,000)	815,000
Municipal Purpose Refunding Bonds of 2012.....	2022	8,704,840	3-4%	4,921,900	-	(919,200)	4,002,700
Municipal Purpose Refunding Bonds of 2013.....	2023	11,420,000	2-3%	7,460,000	-	(1,090,000)	6,370,000
Garage Bonds Unlimited Tax.....	2034	9,500,000	2-4%	8,750,000	-	(385,000)	8,365,000
Municipal Purpose Bonds of 2015.....	2035	1,360,000	2-4%	1,290,000	-	(70,000)	1,220,000
Municipal Purpose Bonds of 2016.....	2035	16,375,000	2-5%	15,555,000	-	(820,000)	14,735,000
Commonwealth of Massachusetts.....	2025	3,100,000	0%	2,635,000	-	(310,000)	2,325,000
Municipal Purpose Bonds of 2017.....	2032	1,500,000	2-4%	-	1,500,000	-	1,500,000
Total governmental bonds payable.....				\$ 45,374,400	\$ 1,500,000	\$ (4,429,300)	\$ 42,445,100
Unamortized premiums on bonds.....				699,970	-	(175,799)	524,171
Total outstanding bonds payable reported in governmental activities.....				\$ 46,074,370	\$ 1,500,000	\$ (4,605,099)	\$ 42,969,271

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

Year	Principal	Interest	Total
2018.....	\$ 4,510,300	\$ 1,502,230	\$ 6,012,530
2019.....	4,471,400	1,356,400	5,827,800
2020.....	4,403,300	1,209,750	5,613,050
2021.....	3,945,100	1,064,680	5,009,780
2022.....	3,585,000	917,523	4,502,523
2023.....	3,085,000	776,744	3,861,744
2024.....	2,050,000	680,480	2,730,480
2025.....	1,905,000	609,267	2,514,267
2026.....	1,470,000	537,655	2,007,655
2027.....	1,485,000	478,457	1,963,457
2028.....	1,495,000	426,345	1,921,345
2029.....	1,510,000	372,281	1,882,281
2030.....	1,530,000	307,924	1,837,924
2031.....	1,545,000	257,538	1,802,538
2032.....	1,570,000	199,332	1,769,332
2033.....	1,490,000	140,519	1,630,519
2034.....	1,515,000	81,019	1,596,019
2035.....	880,000	33,659	913,659
Total.....	\$ <u>42,445,100</u>	\$ <u>10,951,803</u>	\$ <u>53,396,903</u>

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$19,761 and interest costs for \$3,937. Thus, net MCWT loan repayments, including interest, are scheduled to be \$53,897. The principal subsidies are guaranteed. The interest subsidies are supported through future investment income and are expected to be made, although not guaranteed. Since the

Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The 2017 principal and interest subsidies totaled approximately \$9,000 and \$5,000, respectively.

#### Bonds Payable Schedule – Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
MCWT Sewer of 2008.....	2029	\$ 1,009,030	2.00%	\$ 698,301	\$ -	\$ (47,508)	\$ 650,793
MCWT Sewer of 2012.....	2033	400,000	2.00%	350,397	-	(17,259)	333,138
Sewer Refunding Bond of 2012.....	2022	1,055,500	3-4%	615,000	-	(105,000)	510,000
Sewer Bond of 2013.....	2028	400,000	2-5%	260,000	-	(40,000)	220,000
Solar Voltaic Array.....	2028	610,000	2-5%	545,000	-	(65,000)	480,000
Total sewer enterprise bonds payable.....				\$ <u>2,468,698</u>	\$ <u>-</u>	\$ <u>(274,767)</u>	\$ <u>2,193,931</u>

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

Year	Principal	Interest	Total
2018.....	\$ 251,102	\$ 67,717	\$ 318,819
2019.....	252,464	60,032	312,496
2020.....	248,854	51,819	300,673
2021.....	250,273	42,728	293,001
2022.....	251,722	33,409	285,131
2023.....	153,200	23,959	177,159
2024.....	154,709	18,766	173,475
2025.....	156,249	13,819	170,068
2026.....	97,821	8,804	106,625
2027.....	99,425	6,732	106,157
2028.....	101,062	4,615	105,677
2029.....	82,734	2,714	85,448
2030.....	22,824	1,658	24,482
2031.....	23,320	1,197	24,517
2032.....	23,827	725	24,552
2033.....	24,345	243	24,588
Total.....	\$ <u>2,193,931</u>	\$ <u>338,937</u>	\$ <u>2,532,868</u>

**Bonds Payable Schedule – Water Enterprise Fund**

Project	Maturities Through	Original Loan Amount	Coupon Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Water Bond of 2010.....	2021	400,000	2-4%	\$ 225,000	\$ -	\$ (25,000)	\$ 200,000
Water Refunding Bonds of 2012.....	2022	464,660	3-4%	258,100	-	(45,800)	212,300
Water Bond of 2013.....	2028	1,400,000	2-5%	1,115,000	-	(95,000)	1,020,000
Water Main Replacement.....	2035	5,840,000	2-4%	5,545,000	-	(295,000)	5,250,000
Total water enterprise bonds payable.....				\$ <u>7,143,100</u>	\$ <u>-</u>	\$ <u>(460,800)</u>	\$ <u>6,682,300</u>

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

Year	Principal	Interest	Total
2018.....	\$ 460,800	\$ 192,601	\$ 653,401
2019.....	460,800	179,302	640,102
2020.....	460,800	167,891	628,691
2021.....	459,900	156,022	615,922
2022.....	445,000	143,237	588,237
2023.....	415,000	127,563	542,563
2024.....	405,000	111,532	516,532
2025.....	405,000	96,963	501,963
2026.....	380,000	84,762	464,762
2027.....	380,000	75,987	455,987
2028.....	380,000	66,794	446,794
2029.....	290,000	57,638	347,638
2030.....	290,000	48,938	338,938
2031.....	290,000	40,238	330,238
2032.....	290,000	31,538	321,538
2033.....	290,000	22,838	312,838
2034.....	290,000	13,956	303,956
2035.....	290,000	4,712	294,712
Total.....	\$ <u>6,682,300</u>	\$ <u>1,622,512</u>	\$ <u>8,304,812</u>

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

Purpose	Amount
Affordable Public Housing Design, Construction and Property Acquisition.....	\$ <u>1,000,000</u>

Changes in Long-term Liabilities

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

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
<b>Governmental Activities:</b>					
Long-Term Bonds.....	\$ 45,374,400	\$ 1,500,000	\$ (4,429,300)	\$ 42,445,100	\$ 4,510,300
Unamortized premium on bonds.....	699,970	-	(175,799)	524,171	150,277
Bonds payable, net.....	46,074,370	1,500,000	(4,605,099)	42,969,271	4,660,577
Landfill Closure.....	138,000	-	(23,000)	115,000	23,000
Compensated Absences.....	1,101,000	559,000	(529,000)	1,131,000	537,600
Other Postemployment Benefits.....	16,165,474	2,118,027	-	18,283,501	-
Net Pension Liability.....	19,136,609	(639,242)	-	18,497,367	-
Total governmental.....	\$ <u>82,615,453</u>	\$ <u>3,537,785</u>	\$ <u>(5,157,099)</u>	\$ <u>80,996,139</u>	\$ <u>5,221,177</u>
<b>Business-Type Activities:</b>					
Long-Term Bonds.....	\$ 9,611,798	\$ -	\$ (735,567)	\$ 8,876,231	\$ 711,902
Compensated Absences.....	33,000	23,000	(26,000)	30,000	26,000
Other Postemployment Benefits.....	334,868	30,090	-	364,958	-
Net Pension Liability.....	877,947	(141,390)	-	736,557	-
Total business-type.....	\$ <u>10,857,613</u>	\$ <u>(88,300)</u>	\$ <u>(761,567)</u>	\$ <u>10,007,746</u>	\$ <u>737,902</u>

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

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

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

In addition to the nonspendable fund balance, spendable fund balances are classified based on a hierarchy of spending constraints.

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

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

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>FUND BALANCES:</b>				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 1,196,696	\$ 1,196,696
Restricted for:				
School grant funds.....	-	-	256,554	256,554
School revolving funds.....	-	-	1,444,151	1,444,151
School gift funds.....	-	-	186,353	186,353
Town grant funds.....	-	-	117,145	117,145
Town revolving funds.....	-	-	956,717	956,717
Town gift funds.....	-	-	261,285	261,285
Permanent funds.....	-	-	964,221	964,221
Pension reserve fund.....	3,653,411	-	-	3,653,411
Future debt service.....	6,971,512	-	-	6,971,512
Committed to:				
General government.....	256,256	-	-	256,256
Public safety.....	8,487	-	-	8,487
Education.....	19,202	-	-	19,202
Public works.....	5,642	-	-	5,642
Human services.....	675	-	-	675
Culture and recreation.....	120,652	-	-	120,652
Capital projects.....	-	1,026,796	-	1,026,796
Assigned to:				
General government.....	48,104	-	-	48,104
Public safety.....	4,052	-	-	4,052
Education.....	302,093	-	-	302,093
Public works.....	9,650	-	-	9,650
Human services.....	3,870	-	-	3,870
Culture and recreation.....	581	-	-	581
Balance the FY18 operating budget.....	1,292,000	-	-	1,292,000
Unassigned.....	<u>5,246,294</u>	<u>-</u>	<u>(219,383)</u>	<u>5,026,911</u>
<b>TOTAL FUND BALANCES.....</b>	<b>\$ <u>17,942,481</u></b>	<b>\$ <u>1,026,796</u></b>	<b>\$ <u>5,163,739</u></b>	<b>\$ <u>24,133,016</u></b>

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

At year end the unassigned balance of the general fund includes \$883,836 of the general stabilization fund and \$1.1 million of the betterment stabilization fund. \$3.7 million for the pension reserve fund is reported under restricted fund balance within the general fund. In 2017, all funds previously included in the OPEB stabilization fund were transferred to the OPEB Trust fiduciary fund.

## **NOTE 9 – RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. In addition, the Town is self-insured for damages not covered by commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town participates in premium-based plans for the healthcare of its active and a portion of its retirees; and for its workers compensation.

## **NOTE 10 – PENSION PLAN**

### *Plan Description*

The Town is a member of the Norfolk County Retirement System (NCRS, a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 41 member units. The system is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. A copy of their audited financial report may be obtained by visiting <http://www.norfolkcountyretirement.org>.

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

### *Special Funding Situation*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2016. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$7,029,408 is reported in the general fund as intergovernmental

revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$68,911,336 as of the measurement date.

#### *Benefits Provided*

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

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

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

There were no changes of benefit terms that affected measurement of the total pension liability since the prior measurement date

#### *Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the NCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2016 was \$2,084,180, 19.76% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

#### *Pension Liabilities*

At June 30, 2017, the Town reported a liability of \$19,233,924 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2016, the Town's proportion was 3.68%, which did not change from its proportion measured at December 31, 2015.

*Pension Expense*

For the year ended June 30, 2017, the Town recognized pension expense of \$2,175,339. At June 30, 2017, the Town reported deferred outflows of resources related to pensions of \$2,355,825, and the Town reported deferred inflows of resources related to pensions of \$1,312,058.

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

Deferred category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 301,554	\$ -	\$ 301,554
Change of assumptions.....	-	(1,254,268)	(1,254,268)
Difference between projected and actual earnings.....	1,757,697	-	1,757,697
Changes in proportionate share of contributions.....	<u>296,574</u>	<u>(57,790)</u>	<u>238,784</u>
Total Deferred Outflows/(Inflows) of Resources.....	<u>\$ 2,355,825</u>	<u>\$ (1,312,058)</u>	<u>\$ 1,043,767</u>

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

Year ended June 30:

2018.....	\$ 415,774
2019.....	415,773
2020.....	280,579
2021.....	<u>(68,359)</u>
Total.....	<u>\$ 1,043,767</u>

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

Valuation date.....	January 1, 2016
Actuarial cost method.....	Entry Age Normal Cost Method.
Asset valuation method.....	Market value as reported by the Public Employees' Retirement Administration (PERAC)
Inflation rate.....	4.0%
Projected salary increases.....	3.5%-5.5%
Cost of living adjustments.....	3.0% of the first \$15,000 of retirement income.
Mortality Rates:	
Pre-Retirement and Post-Retirement.....	The RP-2014 Blue Collar Mortality Table adjusted with Scale with MP-2014
Investment rate of return/Discount rate.....	8.00%

*Investment policy*

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity.....	32.0%	8.60%
International Equities.....	17.5%	8.60%
Fixed Income.....	19.0%	4.50%
Real Estate.....	9.0%	5.10%
Private Equity.....	8.5%	10.30%
Hedge Funds.....	9.0%	13.10%
Real Assets.....	5.0%	7.50%
	100.0%	

*Rate of return*

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.59%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Sensitivity of the net position liability to changes in the discount rate*

The following presents the net position liability, calculated using the discount rate of 8.00%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount (8.00%)	1% Increase (9.00%)
The Town's proportionate share of the net pension liability.....	\$ 24,335,765	\$ 19,233,924	\$ 14,860,584

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The Town of Medfield administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the Plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

*Funding Policy* – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. For 2017, the Town contributed \$1.9 million to the plan.

The annual money-weighted rate of return on OPEB plan investments was 12.77%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

*Plan Membership* – The following table represents the Plan’s membership at January 1, 2017:

Active members.....	453
Inactive employees or beneficiaries currently receiving benefits....	<u>245</u>
Total.....	<u><u>698</u></u>

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

Total OPEB Liability.....	\$ 42,010,000
Less: OPEB plan’s fiducary net position.....	<u>(2,238,173)</u>
Net OPEB liability.....	<u><u>\$ 39,771,827</u></u>
The OPEB plan’s fiducary net position	
as a percentage of the total OPEB liability.....	5.3%

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

Valuation Date.....	January 1, 2017
Actuarial cost method.....	Entry Age Normal
Asset valuation method.....	Market Value of Assets
Nominal investment rate of return.....	7.66%
Long-term Expected Real Rate of Investment Return.....	4.66%

Interest Rate/Discount rate.....	5.00% per year net of investment expense
Inflation.....	3.00%
Salary increases.....	Non-Teachers: 5.50%, 5.50%, 5.00%, 4.50%, 4.50%, 4.00%, 3.50% ultimate. Teachers: based on years of service ranging from 7.50% to 4.00%.
Mortality:	
Actives mortality.....	The RP-2000 Mortality Tables (Sex-distinct) for Employees projected using generational mortality and scale BB.
Retirees mortality.....	The RP-2000 Mortality Tables (Sex-distinct) for Healthy Annuitants projected using generational mortality and scale BB.
Disabled mortality.....	The RP-2000 Mortality Tables (Sex-distinct) for Healthy Annuitants projected using generational mortality and scale BB. Set forward 2 years.

*Investment Policy*

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

The long-term expected real rate of return reflects the expected rate of return on plan assets minus the expected rate of inflation. Note that the discount rate includes the effect of inflation. The long-term real rate of return removes the effect of inflation on the return amounts. It is a long-term assumption and is meant to reflect a best estimate of future experience, based on the expected asset allocation. The allocation percentages are based on information provided by Medfield and the Massachusetts PRIT (Pension Reserves Investment Trust). The real rates of return below are based on long-term return estimates provided by PRIT, adjusted for a 3.00% inflation assumption.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Large Cap Equities.....	15%	4.37%
Small/Mid Cap Equities.....	4%	4.61%
International Equities.....	16%	4.69%
Emerging International Equities.....	6%	6.42%
Core Bonds.....	5%	0.97%
Twenty-Plus-Year Treasury Strips.....	2%	0.73%
TIPs.....	5%	0.73%
High-Yield Bonds.....	2%	2.67%
Bank Loans.....	3%	2.91%
EMD (External).....	1%	2.67%
EMD (Local Currency).....	0%	3.40%
Distressed Debt.....	3%	5.88%
Other Credit Opportunities.....	2%	3.73%
Private Equity.....	11%	6.31%
Real Estate.....	10%	3.40%
Timberland.....	4%	2.91%
Hedge Funds and Portfolio Completion (PCS).....	13%	3.38%
Total Asset Allocation.....	100%	

*Sensitivity of the OPEB liability to changes in the discount rate* – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 5.00%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage point lower (4.00%) or 1-percentage point higher (6.00%) than the current rate.

	1 % Decrease (4.00%)	Current Discount Rate (5.00%)	1 % Increase (6.00%)
Net OPEB Liability..... \$	45,993,000 \$	39,771,827 \$	34,731,000

*Sensitivity of the OPEB liability to changes in the healthcare trend* – For postretirement medical plans in particular, the calculated actuarial values are highly sensitive to the assumed rate of health care cost trend. This is due to the compounding effect of the annual trend rates assumed for medical costs, as opposed to pension valuations where benefit levels typically remain fixed. The following table illustrates the effect on our valuation results of a 1% increase or decrease in the assumed rates of health care cost trend in each year.

	1 % Decrease	Base Trend	1 % Increase
Net OPEB Liability..... \$	34,000,000 \$	39,771,827 \$	47,117,000

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

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

Annual required contribution.....	\$	4,107,585
Interest on net OPEB obligation.....		783,766
Adjustments to annual required contribution.....		<u>(890,058)</u>
Annual OPEB cost (expense).....		4,001,293
Contributions made.....		<u>(1,853,176)</u>
Increase in net OPEB obligation.....		2,148,117
Net OPEB obligation - beginning of year.....		<u>16,500,342</u>
Net OPEB obligation - end of year.....	\$	<u><u>18,648,459</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the preceding three years was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 4,001,293	46.31%	\$ 18,648,459
6/30/2016	3,631,767	91.62%	16,500,342
6/30/2015	3,885,969	42.95%	16,195,993

*Funded Status and Funding Progress* – As of January 1, 2017, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$44 million, and the actuarial valuation of assets was \$1.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$31.7 million, and the ratio of the UAAL to the covered payroll was 133.7 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the January 1, 2017, actuarial valuation, actuarial liabilities were determined using the projected unit credit method. The actuarial assumptions included a 4.75% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date,

and an annual medical cost trend rate of 8% initially, graded to 5% over 5 years. The UAAL is being amortized over a 30 year open period assuming a 3.00% aggregate annual payroll growth. The remaining amortization period at June 30, 2017 is 22 years.

#### **NOTE 12 – LANDFILL**

State and federal laws and regulations require the Town to construct a final capping system on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The landfill capping took place in 1997. The Town has reflected a \$115,000 post-closure care liability at June 30, 2017 as an obligation of the governmental activities. This amount is based upon estimates of what it would cost to perform all post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Its cost was estimated based on semi-annual sampling for the current monitoring network at the site and estimated costs to maintain the integrity of the landfill cap during the post-closure period.

#### **NOTE 13 – COMMITMENTS**

The Town is committed to expending \$9.5 million for the DPW garage project. Through June 30, 2017, the Town has incurred \$8.7 million of expenditures related to this project. The Town is also committed to expending \$18 million for the public safety building project. Through June 30, 2017, the Town has incurred \$16.1 million of expenditures related to this project. Furthermore, the Town is committed to expending \$1.7 million for the High School field project. As of June 30, 2017, the Town has incurred \$1.5 million of expenditures related to this project.

#### **NOTE 14 – CONTINGENCIES**

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

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

#### **NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 15, 2018, which is the date the financial statements were available to be issued.

**NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2017, the following GASB pronouncements were implemented:

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

The following GASB pronouncements will be implemented in the future:

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

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

# ***Required Supplementary Information***

This page intentionally left blank

# ***General Fund Budgetary Schedule***

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

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND OTHER SOURCES AND USES**  
**BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			
	Amounts	Current Year	Original	Final
	Carried Forward From Prior Year	Initial Budget	Budget	Budget
<b>REVENUES AND OTHER SOURCES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 42,472,503	\$ 42,472,503	\$ 42,472,503
Tax liens.....	-	-	-	-
Motor vehicle and other excise taxes.....	-	1,980,000	1,980,000	1,980,000
Meals tax.....	-	131,154	131,154	131,154
Penalties and interest on taxes.....	-	85,600	85,600	85,600
Fees.....	-	52,248	52,248	52,248
Rentals.....	-	222,000	222,000	222,000
Payments in lieu of taxes.....	-	3,100	3,100	3,100
Licenses and permits.....	-	608,122	608,122	608,122
Fines and forfeitures.....	-	11,360	11,360	11,360
Intergovernmental.....	-	7,536,511	7,536,511	7,536,511
Departmental and other.....	-	547,290	547,290	547,290
Special assessments.....	-	381,767	381,767	381,767
Investment income.....	-	66,000	66,000	66,000
Transfers in.....	-	1,604,314	1,604,314	1,604,314
Prior year encumbrances.....	1,411,905	-	1,411,905	627,446
Budgeted use of sewer betterment reserves.....	-	135,469	135,469	135,469
Budgeted use of debt reserves.....	-	1,677,240	1,677,240	1,677,240
Budgeted use of ambulance mileage fees.....	-	215,000	215,000	215,000
Budgeted use of stabilization funds.....	-	120,000	120,000	120,000
Budgeted use of park and revolving fund revenue.....	-	60,000	60,000	60,000
Budgeted use of pension and cemetery operating budget.....	-	106,000	106,000	106,000
Free cash.....	-	1,220,000	1,220,000	1,220,000
Prior year carryforward of special articles.....	-	848,180	848,180	877,119
<b>TOTAL REVENUES AND OTHER SOURCES.....</b>	<b>1,411,905</b>	<b>60,083,858</b>	<b>61,495,763</b>	<b>60,740,243</b>
<b>EXPENDITURES AND OTHER USES:</b>				
Current:				
General Government.....	318,322	2,994,154	3,312,476	2,932,214
Public Safety.....	68,167	4,885,875	4,954,042	4,644,527
Education.....	938,516	32,383,186	33,321,702	32,921,045
Public Works.....	24,483	2,933,726	2,958,209	2,958,209
Human Services.....	8,257	536,506	544,763	544,088
Culture and Recreation.....	54,160	1,308,037	1,362,197	1,316,613
Pension benefits.....	-	2,125,479	2,125,479	2,125,479
Employee benefits.....	-	4,743,380	4,743,380	4,716,412
Property and liability insurance.....	-	198,000	198,000	198,000
State and county charges.....	-	833,454	833,454	833,454
Debt service:				
Principal.....	-	4,845,833	4,845,833	4,845,833
Interest.....	-	1,946,228	1,946,228	1,946,228
Transfer out.....	-	350,000	350,000	758,141
<b>TOTAL EXPENDITURES AND OTHER USES.....</b>	<b>1,411,905</b>	<b>60,083,858</b>	<b>61,495,763</b>	<b>60,740,243</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
BUDGETARY FUND BALANCE, Beginning of year.....	14,059,022	14,059,022	14,059,022	14,059,022
BUDGETARY FUND BALANCE, End of year.....	\$ 14,059,022	\$ 14,059,022	\$ 14,059,022	\$ 14,059,022

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	42,576,467	\$ -	\$ 103,964
	152,764		152,764
	2,131,133	-	151,133
	149,685	-	18,531
	118,857	-	33,257
	76,116	-	23,868
	296,399	-	74,399
	3,352	-	252
	579,796	-	(28,326)
	21,347	-	9,987
	7,589,716	-	53,205
	608,393	-	61,103
	384,174	-	2,407
	279,612	-	213,612
	2,452,335	-	848,021
	-	-	(627,446)
	-	-	(135,469)
	-	-	(1,677,240)
	-	-	(215,000)
	-	-	(120,000)
	-	-	(60,000)
	-	-	(106,000)
	-	-	(1,220,000)
	-	-	(877,119)
	<u>57,420,146</u>	<u>-</u>	<u>(3,320,097)</u>
	2,275,994	304,360	351,860
	4,492,624	12,539	139,364
	32,534,800	321,295	64,950
	2,788,305	15,292	154,612
	502,818	4,545	36,725
	1,156,279	121,233	39,101
	2,084,180	-	41,299
	4,457,768	-	258,644
	166,684	-	31,316
	550,074	-	283,380
	5,155,829	-	(309,996)
	1,945,642	-	586
	<u>772,469</u>	<u>-</u>	<u>(14,328)</u>
	<u>58,883,466</u>	<u>779,264</u>	<u>1,077,513</u>
	(1,463,320)	\$ <u>(779,264)</u>	\$ <u>(2,242,584)</u>
	<u>14,059,022</u>		
\$	<u><u>12,595,702</u></u>		

# ***Pension Plan Schedules***

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

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

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

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

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

	December 31, 2014	December 31, 2015	December 31, 2016
Town's proportion of the net pension liability .....	3.57%	3.68%	3.68%
Town's proportionate share of the net pension liability .....	\$ 18,532,460	\$ 20,014,556	19,233,924
Town's covered employee payroll.....	\$ 9,226,088	\$ 10,076,580	10,548,923
Net pension liability as a percentage of covered-employee payroll.....	200.87%	198.62%	182.33%
Plan fiduciary net position as a percentage of the total pension liability.....	60.10%	58.60%	61.60%

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

See notes to required supplementary information.

**SCHEDULE OF CONTRIBUTIONS**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution.....	\$ 1,686,967	\$ 2,354,129	\$ 2,084,180
Contributions in relation to the actuarially determined contribution.....	<u>(1,686,967)</u>	<u>(2,354,129)</u>	<u>(2,084,180)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 9,226,088	\$ 10,076,580	\$ 10,548,923
Contributions as a percentage of covered- employee payroll.....	18.28%	23.36%	19.76%

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

See notes to required supplementary information.

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

---

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

<u>Fiscal Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the Town</u>	<u>Town's Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2017.....	\$ 68,911,336	\$ 7,029,408	52.73%
2016.....	\$ 64,245,956	\$ 5,210,919	55.38%
2015.....	\$ 49,601,101	\$ 3,470,968	61.64%

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

See notes to required supplementary information.

# ***Other Postemployment Benefits Plan Schedules***

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

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

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

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

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

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

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

	June 30, 2017
<b>Total OPEB Liability</b>	
Service Cost.....	\$ 1,532,000
Interest.....	2,034,000
Changes of benefit terms.....	-
Differences between expected and actual experience.....	-
Changes of assumptions.....	-
Benefit payments.....	<u>(1,407,000)</u>
Net change in total OPEB liability.....	2,159,000
Total OPEB liability- beginning.....	<u>39,851,000</u>
Total OPEB liability- ending (a).....	<u><u>\$ 42,010,000</u></u>
<b>Plan fiduciary net position</b>	
Contributions- employer .....	\$ 3,391,778
Net investment income.....	253,395
Benefit payments.....	<u>(1,407,000)</u>
Net change in plan fiduciary net position.....	2,238,173
Plan fiduciary net position- beginning.....	-
Plan fiduciary net position- ending (b).....	<u><u>\$ 2,238,173</u></u>
<b>Town's net OPEB liability- ending (a)-(b).....</b>	<u><u>\$ 39,771,827</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	5.3%
Covered-employee payroll.....	31,717,000
Town's net OPEB liability as a percentage of covered-employee payroll.....	125%

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

See notes to required supplementary information.

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

	June 30, 2017
Actuarially determined contribution.....	\$ 4,108,000
Contributions in relation to the actuarially determined contribution.....	(1,853,000)
Contribution deficiency (excess).....	\$ 2,255,000
Covered-employee payroll.....	\$ 31,717,000
Contributions as a percentage of covered- employee payroll.....	12.95%

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

See notes to required supplementary information.

**SCHEDULE OF INVESTMENT RETURNS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

---

---

June 30,  
2017

---

Annual money-weighted rate of return, net of investment expense.....	12.77%
---	--------

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

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

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS**

---

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2017	\$ 1,615,000	\$ 44,022,000	\$ 42,408,000	3.67%	\$ 31,717,000	133.7%
1/1/2015	-	46,844,445	46,844,445	0%	30,155,000	155.3%
1/1/2013	-	42,861,723	42,861,723	0%	30,199,000	141.9%
1/1/2011	-	39,775,805	39,775,805	0%	29,389,000	135.3%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2017	\$ 4,107,585	\$ 1,853,176	45.12%
6/30/2016	3,925,645	3,327,418	84.76%
6/30/2015	3,959,028	1,668,843	42.15%
6/30/2014	3,719,646	1,511,192	40.63%
6/30/2013	3,499,080	1,450,184	41.44%
6/30/2012	3,735,876	1,412,261	37.80%

See notes to required supplementary information.

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

---

---

Actuarial Methods:

Valuation date.....	January 1, 2017
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Level percentage of payroll (3.00% annual rate of increase)
Amortization period.....	Open 22-year amortization (remainder of initial 30 year amortization)

Actuarial Assumptions:

Investment rate of return.....	4.75% per annum for the partially funded program
Medical/drug cost trend rate.....	8.0% graded to 5.0% over 5 years

Plan Membership:

Current retirees, beneficiaries, and dependents...	507
Current active members.....	<u>379</u>
 Total	 <u><u>886</u></u>

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

1. Budgetary Information

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2017 approved budget, including amounts carried forward from the prior years authorized approximately \$61.5 million in appropriations and other amounts to be raised. There was a \$756,000 decrease from the original budget to the final amended budget due to the rescission of certain encumbrances. The Town Accountant’s Office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

2. Budgetary - GAAP Reconciliation

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

Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures - budgetary basis.....	\$ (1,463,320)
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	138,480
Activity of the betterment stabilization fund recorded in the general fund for GAAP.....	136,974
Activity of the OPEB stabilization fund recorded in the general fund for GAAP.....	(1,984,778)
Activity of the pension reserve fund recorded in the general fund for GAAP.....	(92,619)
<u>Basis of accounting differences:</u>	
Net change in revenues in recording 60 day receipts.....	(42,996)
Net difference in recognition of expenditures.....	40,562
Increase in revenues due to on-behalf payments.....	7,029,408
Increase in expenditures due to on-behalf payments.....	<u>(7,029,408)</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures - GAAP basis.....	<u>\$ (3,267,697)</u>

**NOTE B – PENSION PLAN**Schedule of the Town's Proportionate Share of the Net Pension Liability

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

Schedule of Town's Contributions

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

Schedule of the Special Funding Amounts of the Net Pension Liabilities

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

Changes in Assumptions - None

Changes in Plan Provisions - None

**NOTE C – OTHER POST EMPLOYMENT BENEFITS**

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

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

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

Schedule of the Town's Contributions

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

Schedule of Investment Return

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

**The Town**

The Town currently pre-funded a portion of its OPEB liability. At June 30, 2017 the Town had set aside \$2,238,173 in an OPEB Trust. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 3.67%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

The Schedule of Funding Progress

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

The Schedule of Employer Contributions

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

The Schedule of Actuarial Methods and Assumptions

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