

TOWN OF DOUGLAS, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2018

Town of Douglas, Massachusetts

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Douglas, Massachusetts

Additional Offices:

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

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

Melanson Heath

November 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$48,231,521 (i.e., net position), a change of \$(1,465,690) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$8,636,874, a change of \$471,159 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,882,182, a change of \$(264,320) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 11,074	\$ 10,878	\$ 2,518	\$ 2,094	\$ 13,592	\$ 12,972
Capital assets	<u>83,758</u>	<u>85,261</u>	<u>9,054</u>	<u>8,962</u>	<u>92,812</u>	<u>94,223</u>
Total assets	94,832	96,139	11,572	11,056	106,404	107,195
Deferred outflows of resources	2,405	2,203	50	45	2,455	2,248
Long-term liabilities outstanding	52,931	43,220	3,325	3,424	56,256	46,644
Other liabilities	<u>3,293</u>	<u>3,171</u>	<u>455</u>	<u>490</u>	<u>3,748</u>	<u>3,661</u>
Total liabilities	56,224	46,391	3,780	3,914	60,004	50,305
Deferred inflows of resources	611	212	12	4	623	216
Net position:						
Net investment in capital assets	63,704	64,103	6,109	5,644	69,813	69,747
Restricted	3,388	3,042	-	-	3,388	3,042
Unrestricted	<u>(26,690)</u>	<u>(15,406)</u>	<u>1,721</u>	<u>1,538</u>	<u>(24,969)</u>	<u>(13,868)</u>
Total net position	<u>\$ 40,402</u>	<u>\$ 51,739</u>	<u>\$ 7,830</u>	<u>\$ 7,182</u>	<u>\$ 48,232</u>	<u>\$ 58,921</u>

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$48,231,521, a change of \$(1,465,690) from the prior year.

The largest portion of net position \$69,812,965 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$3,388,038 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit \$(24,969,482), primarily because of unfunded pension and other post-employment benefits (See Notes 17 and 19).

	<u>CHANGES IN NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,365	\$ 1,163	\$ 1,817	\$ 1,806	\$ 3,182	\$ 2,969
Operating grants and contributions	14,528	15,597	-	-	14,528	15,597
Capital grants and contributions	365	1,552	-	-	365	1,552
General revenues:						
Property taxes	15,730	15,271	-	-	15,730	15,271
Excises	1,350	1,297	-	-	1,350	1,297
Penalties and interest on taxes	153	184	-	-	153	184
Grants and contributions not restricted to specific programs	1,039	992	-	-	1,039	992
Investment income	35	30	1	4	36	34
Other	347	537	71	74	418	611
Total revenues	34,912	36,623	1,889	1,884	36,801	38,507

(continued)

(continued)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Expenses:						
General government	2,795	2,783	-	-	2,795	2,783
Public safety	5,415	4,822	-	-	5,415	4,822
Education	24,049	22,032	-	-	24,049	22,032
Public works	2,147	2,368	-	-	2,147	2,368
Human services	468	439	-	-	468	439
Culture and recreation	553	594	-	-	553	594
Interest on long-term debt	756	856	-	-	756	856
Intergovernmental	455	391	-	-	455	391
Water/sewer operations	-	-	1,390	1,422	1,390	1,422
Transfer station	-	-	239	220	239	220
Total expenses	<u>36,638</u>	<u>34,285</u>	<u>1,629</u>	<u>1,642</u>	<u>38,267</u>	<u>35,927</u>
Change in net position before transfers	(1,726)	2,338	260	242	(1,466)	2,580
Transfers in (out)	<u>(218)</u>	<u>(160)</u>	<u>218</u>	<u>160</u>	<u>-</u>	<u>-</u>
Change in net position	(1,944)	2,178	478	402	(1,466)	2,580
Net position - beginning of year, as restated	<u>42,346</u>	<u>49,561</u>	<u>7,352</u>	<u>6,780</u>	<u>49,698</u>	<u>56,341</u>
Net position - end of year	<u>\$ 40,402</u>	<u>\$ 51,739</u>	<u>\$ 7,830</u>	<u>\$ 7,182</u>	<u>\$ 48,232</u>	<u>\$ 58,921</u>

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

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(1,944,030). Key elements of this change are as follows:

General fund operating results	\$ 105,853
Ambulance fund - operating results	92,190
Nonmajor funds - accrual basis	1,318,520
Excess of depreciation a non budgeted expense over principal maturities	(1,294,658)
Other post employment benefits liability	(1,475,601)
Change in deferred outflows related to OPEB	(6,326)
Net pension liability	(769,932)
Change in deferred outflows/inflows related to pensions	(320,667)
Other GAAP accruals	<u>406,591</u>
Total	<u>\$ (1,944,030)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$478,340. Key elements of this change are as follows:

Water/sewer operations	\$ 490,805
Transfer station operations	<u>(12,465)</u>
Total	<u>\$ 478,340</u>

D. FINANCIAL ANALYSIS OF FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$8,636,874, a change of \$471,159 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 105,853
Ambulance fund operating results	92,190
Nonmajor funds operating results	<u>273,116</u>
Total	<u>\$ 471,159</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,882,182, while total fund balance was \$4,968,409. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 2,882,182	\$ 3,146,502	\$ (264,320)	9.5%
Total fund balance	\$ 4,968,409	\$ 4,862,556	\$ 105,853	16.4%

The total fund balance of the general fund changed by \$105,853 during the current fiscal year. Key factors in this change are as follows:

Excess of state and local revenues over budget	\$ 761,049
Budgetary appropriation surplus	835,348
Shortfall of tax collections over budget	95,855
Excess of prior year encumbrances to be spent in the current year over current year encumbrances spent in the subsequent year	(218,749)
Use of free cash	(1,280,143)
Other sources	(39,413)
Change in stabilization balance	(15,327)
Other timing differences	<u>(32,767)</u>
Total	<u>\$ 105,853</u>

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

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
General stabilization	\$ 1,105,585	\$ 1,120,912	\$ (15,327)

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,721,086, a change of \$183,202 in comparison to the prior year.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriation and reclassifications of \$546,464. Major reasons for these amendments include:

- \$50,444 – Various general government lines
- \$226,000 – Public safety police/fire/ambulance
- \$9,250 – Public works
- \$215,000 – Snow and ice
- \$512 – Culture and recreation
- \$87,640 – School
- \$(44,882) – Health insurance
- \$2,500 – Municipal building expenses

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$92,812,887 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, and machinery and equipment.

Major capital asset events during the current fiscal year reported as follows:

- \$400,000 water/sewer land purchase
- \$115,803 municipal HVAC system upgrade

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$23,792,724, all of which was backed by the full faith and credit of the Town.

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

REQUESTS FOR INFORMATION

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

Office of the Finance Director
Town of Douglas
29 Depot Street
Douglas, MA 01516

TOWN OF DOUGLAS, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 8,036,988	\$ 1,558,838	\$ 9,595,826
Investments	1,800,830	-	1,800,830
Receivables, net of allowance for uncollectibles:			
Property taxes	196,619	-	196,619
Excises	106,545	-	106,545
Other assets	-	793	793
User fees	-	958,552	958,552
Departmental and other	234,656	-	234,656
Intergovernmental	244,521	-	244,521
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	453,036	-	453,036
Capital assets:			
Land and construction in progress	7,472,468	801,122	8,273,590
Other capital assets, net of accumulated depreciation	76,286,169	8,253,128	84,539,297
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	2,281,236	46,556	2,327,792
Related to OPEB	123,821	3,021	126,842
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	97,236,889	11,622,010	108,858,899
LIABILITIES			
Current:			
Warrants payable	537,993	45,278	583,271
Accrued liabilities	956,035	23,901	979,936
Tax refunds payable	33,600	-	33,600
Other current liabilities	170,289	-	170,289
Current portion of long-term liabilities:			
Bonds payable	1,579,413	385,814	1,965,227
Other	16,131	191	16,322
Noncurrent:			
Bonds payable, net of current portion	19,267,962	2,559,535	21,827,497
Net pension liability	14,442,916	294,754	14,737,670
Net OPEB liability	19,121,246	466,453	19,587,699
Other, net of current portion	99,094	3,635	102,729
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	610,676	12,462	623,138
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	56,835,355	3,792,023	60,627,378
NET POSITION			
Net investment in capital assets	63,704,064	6,108,901	69,812,965
Restricted for:			
Grants and other statutory restrictions	3,299,378	-	3,299,378
Permanent funds:			
Nonexpendable	37,502	-	37,502
Expendable	51,158	-	51,158
Unrestricted	(26,690,568)	1,721,086	(24,969,482)
TOTAL NET POSITION	\$ 40,401,534	\$ 7,829,987	\$ 48,231,521

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

TOWN OF DOUGLAS, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	<u>General</u>	<u>Ambulance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 4,451,509	\$ 368,867	\$ 3,216,612	\$ 8,036,988
Investments	1,714,744	-	86,086	1,800,830
Receivables:				
Property taxes	753,806	-	-	753,806
Excises	157,018	-	-	157,018
Departmental and other	5,956	559,692	-	565,648
Intergovernmental	72,159	-	172,362	244,521
Other assets	-	-	6,185	6,185
TOTAL ASSETS	<u>\$ 7,155,192</u>	<u>\$ 928,559</u>	<u>\$ 3,481,245</u>	<u>\$ 11,564,996</u>
LIABILITIES				
Warrants payable	\$ 387,913	\$ 1,500	\$ 148,580	\$ 537,993
Accrued liabilities	679,949	-	-	679,949
Tax refunds payable	33,600	-	-	33,600
Other liabilities	170,289	-	-	170,289
TOTAL LIABILITIES	1,271,751	1,500	148,580	1,421,831
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	915,032	559,692	31,567	1,506,291
FUND BALANCES				
Nonspendable	-	-	37,502	37,502
Restricted	-	367,367	3,008,577	3,375,944
Committed	352,612	-	277,153	629,765
Assigned	1,733,615	-	-	1,733,615
Unassigned	2,882,182	-	(22,134)	2,860,048
TOTAL FUND BALANCES	<u>4,968,409</u>	<u>367,367</u>	<u>3,301,098</u>	<u>8,636,874</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 7,155,192</u>	<u>\$ 928,559</u>	<u>\$ 3,481,245</u>	<u>\$ 11,564,996</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS

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

JUNE 30, 2018

Total governmental fund balances	\$ 8,636,874
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	83,758,637
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,014,490
• Long-term liabilities, including bonds payable, net pension liability, net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(52,732,381)
• Other	<u>(276,086)</u>
Net position of governmental activities	<u>\$ 40,401,534</u>

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

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

	<u>General</u>	<u>Ambulance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 15,752,856	\$ -	\$ -	\$ 15,752,856
Excises	1,319,582	-	2,655	1,322,237
Penalties, interest and other taxes	153,107	-	-	153,107
Charges for services	157,821	412,190	395,492	965,503
Intergovernmental	12,512,068	-	3,395,510	15,907,578
Licenses and permits	286,172	-	-	286,172
Fines and forfeitures	54,128	-	2,188	56,316
Investment income	35,455	-	(692)	34,763
Miscellaneous	156,781	-	267,142	423,923
Total Revenues	<u>30,427,970</u>	<u>412,190</u>	<u>4,062,295</u>	<u>34,902,455</u>
Expenditures:				
Current:				
General government	1,719,365	-	-	1,719,365
Public safety	2,582,029	-	254,970	2,836,999
Education	18,046,764	-	136,912	18,183,676
Public works	1,048,849	-	3,050,501	4,099,350
Health and human services	227,630	-	387,870	615,500
Culture and recreation	296,732	-	18,506	315,238
Employee benefits	3,625,110	-	25,100	3,650,210
Debt service	2,337,980	-	-	2,337,980
Intergovernmental	454,664	-	-	454,664
Total Expenditures	<u>30,339,123</u>	<u>-</u>	<u>3,873,859</u>	<u>34,212,982</u>
Excess (deficiency) of revenues over expenditures	88,847	412,190	188,436	689,473
Other Financing Sources (Uses):				
Transfers in	417,164	-	181,844	599,008
Transfers out	<u>(400,158)</u>	<u>(320,000)</u>	<u>(97,164)</u>	<u>(817,322)</u>
Total Other Financing Sources (Uses)	<u>17,006</u>	<u>(320,000)</u>	<u>84,680</u>	<u>(218,314)</u>
Change in fund balance	105,853	92,190	273,116	471,159
Fund Balance, at Beginning of Year	<u>4,862,556</u>	<u>275,177</u>	<u>3,027,982</u>	<u>8,165,715</u>
Fund Balance, at End of Year	<u>\$ 4,968,409</u>	<u>\$ 367,367</u>	<u>\$ 3,301,098</u>	<u>\$ 8,636,874</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2018

Net changes in fund balances - total governmental funds	\$ 471,159
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital outlay	1,287,757
Loss on disposal of assets	(10,998)
Depreciation	(2,779,658)
<ul style="list-style-type: none"> The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: 	
Repayments of debt	1,485,000
<ul style="list-style-type: none"> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle escise, etc.) differ between the two statements. 	
	21,040
<ul style="list-style-type: none"> 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. 	
Net pension liability and related deferred outflows and inflows of resources	(1,090,599)
Net OPEB liability and related deferred outflows and inflows of resources	(1,481,927)
Other	154,196
Change in net position of governmental activities	\$ <u>(1,944,030)</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues and Other Sources:				
Property taxes	\$ 15,657,001	\$ 15,657,001	\$ 15,657,001	\$ -
Excise	1,006,225	1,006,225	1,319,582	313,357
Penalties, interest and other taxes	130,000	130,000	153,107	23,107
Charges for services	125,278	125,278	157,821	32,543
Intergovernmental	9,694,838	9,694,838	9,711,017	16,179
Licenses and permits	103,000	103,000	286,172	183,172
Fines and forfeitures	20,000	20,000	54,128	34,128
Investment income	19,000	19,000	50,782	31,782
Miscellaneous	30,000	30,000	156,781	126,781
Transfers in	417,164	417,164	417,164	-
Use of free cash	733,679	1,280,143	1,280,143	-
Other sources	39,413	39,413	39,413	-
Total Revenues and Other Sources	27,975,598	28,522,062	29,283,111	761,049
Expenditures and Other Uses:				
General government	1,844,617	1,897,561	1,530,721	366,840
Public safety	2,510,461	2,736,461	2,572,423	164,038
Education	15,213,185	15,300,825	15,251,269	49,556
Public works	855,488	1,079,738	1,048,450	31,288
Health and human services	251,647	251,647	227,630	24,017
Culture and recreation	306,320	306,832	239,547	67,285
Employee benefits	3,868,401	3,823,519	3,623,872	199,647
Debt service	2,651,969	2,651,969	2,650,294	1,675
Intergovernmental	396,410	396,410	454,664	(58,254)
Transfers out	77,100	77,100	87,844	(10,744)
Total Expenditures and Other Uses	27,975,598	28,522,062	27,686,714	835,348
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,596,397	\$ 1,596,397

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

TOWN OF DOUGLAS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Business-Type Activities Enterprise Funds		
	Water/Sewer Fund	Transfer Station Fund	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 1,210,058	\$ 348,780	\$ 1,558,838
Other assets	793	-	793
User fees, net of allowance for uncollectibles	<u>958,552</u>	<u>-</u>	<u>958,552</u>
Total current assets	2,169,403	348,780	2,518,183
Noncurrent:			
Capital assets:			
Land and construction in progress	789,384	11,738	801,122
Other capital assets, net of accumulated depreciation	<u>8,235,832</u>	<u>17,296</u>	<u>8,253,128</u>
Total noncurrent assets	9,025,216	29,034	9,054,250
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	46,556	-	46,556
Related to OPEB	<u>3,021</u>	<u>-</u>	<u>3,021</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	11,244,196	377,814	11,622,010
LIABILITIES			
Current:			
Warrants payable	27,752	17,526	45,278
Accrued liabilities	23,901	-	23,901
Current portion of long-term liabilities:			
Bonds payable	385,814	-	385,814
Other	<u>191</u>	<u>-</u>	<u>191</u>
Total current liabilities	437,658	17,526	455,184
Noncurrent:			
Bonds payable, net of current portion	2,559,535	-	2,559,535
Net pension liability	294,754	-	294,754
Net OPEB liability	466,453	-	466,453
Other, net of current portion	<u>3,635</u>	<u>-</u>	<u>3,635</u>
Total noncurrent liabilities	3,324,377	-	3,324,377
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	<u>12,462</u>	<u>-</u>	<u>12,462</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,774,497	17,526	3,792,023
NET POSITION			
Net investment in capital assets	6,079,867	29,034	6,108,901
Unrestricted	<u>1,389,832</u>	<u>331,254</u>	<u>1,721,086</u>
TOTAL NET POSITION	<u>\$ 7,469,699</u>	<u>\$ 360,288</u>	<u>\$ 7,829,987</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities Enterprise Funds		
	Water/Sewer Fund	Transfer Station Fund	Total
Operating Revenues:			
Charges for services	\$ 1,592,012	\$ 225,378	\$ 1,817,390
Other	<u>69,590</u>	<u>1,194</u>	<u>70,784</u>
Total Operating Revenues	1,661,602	226,572	1,888,174
Operating Expenses:			
Salaries and benefits	407,102	54,784	461,886
Other operating expenses	473,639	183,110	656,749
Depreciation	<u>368,079</u>	<u>1,327</u>	<u>369,406</u>
Total Operating Expenses	<u>1,248,820</u>	<u>239,221</u>	<u>1,488,041</u>
Operating Income (Loss)	412,782	(12,649)	400,133
Nonoperating Revenues (Expenses):			
Investment income	710	184	894
Interest expense	<u>(141,001)</u>	<u>-</u>	<u>(141,001)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(140,291)</u>	<u>184</u>	<u>(140,107)</u>
Income (Loss) Before Transfers	272,491	(12,465)	260,026
Transfers:			
Transfers in	312,314	-	312,314
Transfers out	<u>(94,000)</u>	<u>-</u>	<u>(94,000)</u>
Change in Net Position	490,805	(12,465)	478,340
Net Position at Beginning of Year, as restated	<u>6,978,894</u>	<u>372,753</u>	<u>7,351,647</u>
Net Position at End of Year	<u>\$ 7,469,699</u>	<u>\$ 360,288</u>	<u>\$ 7,829,987</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities Enterprise Funds		
	Water/Sewer Fund	Transfer Station Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 1,174,754	\$ 226,572	\$ 1,401,326
Payments to vendors and employees	<u>(872,489)</u>	<u>(235,467)</u>	<u>(1,107,956)</u>
Net Cash Provided By (Used For) Operating Activities	302,265	(8,895)	293,370
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfers in	312,314	-	312,314
Transfers out	<u>(94,000)</u>	<u>-</u>	<u>(94,000)</u>
Net Cash Provided By Noncapital Financing Activities	218,314	-	218,314
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets	(461,289)	-	(461,289)
Principal payments on bonds	(372,617)	-	(372,617)
Interest expense	<u>(141,000)</u>	<u>-</u>	<u>(141,000)</u>
Net Cash (Used For) Capital and Related Financing Activities	(974,906)	-	(974,906)
<u>Cash Flows From Investing Activities:</u>			
Investment income	<u>710</u>	<u>184</u>	<u>894</u>
Net Cash Provided By Investing Activities	<u>710</u>	<u>184</u>	<u>894</u>
Net Change in Cash and Short-Term Investments	(453,617)	(8,711)	(462,328)
Cash and Short-Term Investments, Beginning of Year	<u>1,663,675</u>	<u>357,491</u>	<u>2,021,166</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,210,058</u>	<u>\$ 348,780</u>	<u>\$ 1,558,838</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income	\$ 412,782	\$ (12,649)	\$ 400,133
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	368,079	1,327	369,406
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees	(486,848)	-	(486,848)
Other assets	(615)	-	(615)
Deferred outflows - related to pensions	(1,592)	-	(1,592)
Deferred outflows - related to OPEB	154	-	154
Warrants and accounts payable	(53,893)	2,427	(51,466)
Accrued liabilities	4,351	-	4,351
Net pension liability	15,713	-	15,713
Net OPEB liability	35,998	-	35,998
Deferred inflows - related to pensions	<u>8,136</u>	<u>-</u>	<u>8,136</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 302,265</u>	<u>\$ (8,895)</u>	<u>\$ 293,370</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2018

	Other Post-Employment Benefits Trust <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ -	\$ -	\$ 173,171
Investments	531,956	97,510	-
Accounts receivable	-	-	5,687
	<u>531,956</u>	<u>97,510</u>	<u>178,858</u>
Total Assets	531,956	97,510	178,858
 LIABILITIES AND NET POSITION			
Accounts payable	-	-	2,759
Other liabilities	-	-	176,099
	<u>-</u>	<u>-</u>	<u>178,858</u>
Total Liabilities	-	-	178,858
 NET POSITION			
Total net position restricted for pensions and other purposes	<u>\$ 531,956</u>	<u>\$ 97,510</u>	<u>\$ -</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

	Other Post-Employment Benefits Trust Fund	Private Purpose Trust Funds
Additions:		
Employer contributions	\$ 419,308	\$ -
Interest income	<u>22,627</u>	<u>(1,365)</u>
Total additions	441,935	(1,365)
Deductions:		
Benefit payments to plan members, beneficiaries and other systems	292,466	-
Education	<u>-</u>	<u>1,200</u>
Total deductions	<u>292,466</u>	<u>1,200</u>
Net increase	149,469	(2,565)
Net position restricted for pensions and other purposes:		
Beginning of year	<u>382,487</u>	<u>100,075</u>
End of year	<u>\$ 531,956</u>	<u>\$ 97,510</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *ambulance fund* accounts for the operations pertaining to ambulance services.

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

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

The Town reports the following major proprietary funds:

- Water/sewer operations
- Transfer station operations

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

The Town reports the following fiduciary funds:

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

D. Cash and Short-Term Investments

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

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

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

E. Investments

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

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

F. Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2018 tax levy reflected an excess capacity of \$234.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

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

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Fund Equity

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

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

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

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

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

K. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 30,427,970	\$ 30,339,123
Other financing sources/uses (GAAP basis)	<u>417,164</u>	<u>400,158</u>
Subtotal (GAAP Basis)	30,845,134	30,739,281
Adjust tax revenue to accrual basis	(95,855)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(562,052)
To book current year appropriation carryforwards	-	343,303
To record use of free cash	1,280,143	-
Other sources	39,413	-
To remove unbudgeted stabilization fund	15,327	-
To reverse the effect of non-budgeted State contributions for teachers retirement	(2,801,051)	(2,801,051)
To record timing differences	<u>-</u>	<u>(32,767)</u>
Budgetary basis	<u>\$ 29,283,111</u>	<u>\$ 27,686,714</u>

D. Deficit Fund Equity

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

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

3. Cash and Short-Term Investments

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

As of June 30, 2018, \$1,579 of the Town's bank balances of \$10,066,628 was exposed to custodial credit risk as uninsured or uncollateralized. \$1,579 of the Town's uninsured and uncollateralized amount is on deposit with the Massachusetts Municipal Depository Trust, which is the state investment pool as authorized by Massachusetts General Law, Chapter 29, Section 38A.

4. Investments

A. Credit Risk

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

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

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Aaa	Rating as of Year End		
					Aa+	A-	BBB
Certificates of deposits	\$ 874		\$ -	\$ 874	\$ -	\$ -	\$ -
Corporate bonds	207		-	-	-	142	65
Corporate equities	184	N/A	184	-	-	-	-
Mutual funds	705	N/A	705	-	-	-	-
Federal agency securities	460		-	156	304	-	-
Total investments	\$ <u>2,430</u>		\$ <u>889</u>	\$ <u>1,030</u>	\$ <u>304</u>	\$ <u>142</u>	\$ <u>65</u>

B. Custodial Credit Risk

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

C. Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>N/A</u>
Certificates of deposit	\$ 874	\$ 74	\$ 800	\$ -	\$ -
Corporate bonds	207	-	207	-	-
Corporate equities	184	-	-	-	184
Mutual funds	705	-	-	-	705
Federal agency securities	<u>460</u>	<u>70</u>	<u>390</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,430</u>	<u>\$ 144</u>	<u>\$ 1,397</u>	<u>\$ -</u>	<u>\$ 889</u>

D. Foreign Currency Risk

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

E. Fair Value

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

5. Property Taxes and Excises Receivables

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

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

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

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

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

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Net Amount (accrual basis)
Real estate taxes	\$ 221,294	\$ (34,797)	\$ 186,497
Personal property taxes	29,139	(19,017)	10,122
Tax liens	<u>503,373</u>	<u>(50,337)</u>	<u>453,036</u>
Total property taxes	<u>\$ 753,806</u>	<u>\$ (104,151)</u>	649,655
Less current portion			<u>196,619</u>
Noncurrent taxes receivable			<u>\$ 453,036</u>
Motor vehicle excise	\$ 152,899	\$ (47,606)	\$ 105,293
Boat excise	<u>4,119</u>	<u>(2,867)</u>	<u>1,252</u>
Total excises	<u>\$ 157,018</u>	<u>\$ (50,473)</u>	<u>\$ 106,545</u>

6. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2018.

7. Interfund Fund Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish

various expenditure purposes. The following is an analysis of major interfund transfers.

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 417,164	\$ 400,158
Ambulance	-	320,000
Nonmajor Funds:		
Special Revenue Funds	10,744	97,164
Capital Project Funds	<u>171,100</u>	<u>-</u>
Subtotal Nonmajor Funds	181,844	97,164
<u>Business-Type Funds:</u>		
Water/Sewer Fund	<u>312,314</u>	<u>94,000</u>
Subtotal Business-Type Funds:	<u>312,314</u>	<u>94,000</u>
Grand Total	<u>\$ 911,322</u>	<u>\$ 911,322</u>

The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

8. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 80,648	\$ 265	\$ -	\$ 80,913
Machinery, equipment, and furnishings	8,324	485	(120)	8,689
Infrastructure	<u>11,767</u>	<u>364</u>	<u>-</u>	<u>12,131</u>
Total capital assets, being depreciated	100,739	1,114	(120)	101,733
Less accumulated depreciation for:				
Buildings and improvements	(14,107)	(1,963)	-	(16,070)
Machinery, equipment, and furnishings	(6,470)	(399)	109	(6,760)
Infrastructure	<u>(2,201)</u>	<u>(416)</u>	<u>-</u>	<u>(2,617)</u>
Total accumulated depreciation	<u>(22,778)</u>	<u>(2,778)</u>	<u>109</u>	<u>(25,447)</u>
Total capital assets, being depreciated, net	77,961	(1,664)	(11)	76,286
Capital assets, not being depreciated:				
Land	6,743	172	-	6,915
Construction in progress	<u>557</u>	<u>-</u>	<u>-</u>	<u>557</u>
Total capital assets, not being depreciated	<u>7,300</u>	<u>172</u>	<u>-</u>	<u>7,472</u>
Governmental activities capital assets, net	<u>\$ 85,261</u>	<u>\$ (1,492)</u>	<u>\$ (11)</u>	<u>\$ 83,758</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,063	\$ -	\$ -	\$ 8,063
Machinery, equipment, and furnishings	472	61	-	533
Infrastructure	<u>5,569</u>	<u>-</u>	<u>-</u>	<u>5,569</u>
Total capital assets, being depreciated	14,104	61	-	14,165
Less accumulated depreciation for:				
Buildings and improvements	(2,268)	(190)	-	(2,458)
Machinery, equipment, and furnishings	(121)	(44)	-	(165)
Infrastructure	<u>(3,154)</u>	<u>(135)</u>	<u>-</u>	<u>(3,289)</u>
Total accumulated depreciation	<u>(5,543)</u>	<u>(369)</u>	<u>-</u>	<u>(5,912)</u>
Total capital assets, being depreciated, net	8,561	(308)	-	8,253
Capital assets, not being depreciated:				
Land	<u>401</u>	<u>400</u>	<u>-</u>	<u>801</u>
Total capital assets, not being depreciated	<u>401</u>	<u>400</u>	<u>-</u>	<u>801</u>
Business-type activities capital assets, net	<u>\$ 8,962</u>	<u>\$ 92</u>	<u>\$ -</u>	<u>\$ 9,054</u>

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

Governmental Activities:	
General government	\$ 144
Public safety	259
Education	1,905
Public works	463
Culture and recreation	<u>7</u>
Total depreciation expense - governmental activities	<u>\$ 2,778</u>
Business-Type Activities:	
Water	\$ 368
Transfer station	<u>1</u>
Total depreciation expense - business-type activities	<u>\$ 369</u>

9. Deferred Outflows of Resources

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

10. Warrants Payable

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

11. Tax Refunds Payable

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

12. Long-Term Debt

A. General Obligation Bonds

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

<u>Governmental Activities:</u>	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>6/30/18</u>
Land	07/15/18	4.10%	\$ 15,000
Land	12/15/21	4.36%	200,000
Elementary and middle school	01/15/32	3.93%	14,975,000
Refunding	06/01/22	1.59%	1,605,000
School building, department equipment, and Town building remodel	06/30/31	3.00%	<u>3,540,000</u>
Total Governmental Activities			<u>\$ 20,335,000</u>

<u>Business-Type Activities:</u>	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>6/30/18</u>
Water refunding	01/15/21	2.13%	\$ 25,000
Water refunding	01/15/20	2.41%	10,000
Manchaug sewer improvement	01/15/19	2.13%	10,000
Sewer plant	02/01/25	2.00%	2,656,063
Sewer plant	07/15/24	2.00%	129,286
Water	06/30/31	3.00%	<u>115,000</u>
Total Business-Type Activities			<u>\$ 2,945,349</u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,540,000	\$ 799,773	\$ 2,339,773
2020	1,580,000	736,400	2,316,400
2021	1,645,000	668,500	2,313,500
2022	1,710,000	606,750	2,316,750
2023	1,280,000	550,450	1,830,450
2024 - 2028	6,720,000	2,020,900	8,740,900
2029 - 2033	<u>5,860,000</u>	<u>634,775</u>	<u>6,494,775</u>
Total	<u>\$ 20,335,000</u>	<u>\$ 6,017,548</u>	<u>\$ 26,352,548</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 385,814	\$ 55,133	\$ 440,947
2020	389,016	40,869	429,885
2021	392,227	26,730	418,957
2022	409,729	16,630	426,359
2023	422,953	9,661	432,614
2024 - 2028	915,610	8,680	924,290
2029 - 2033	<u>30,000</u>	<u>1,750</u>	<u>31,750</u>
Total	<u>\$ 2,945,349</u>	<u>\$ 159,453</u>	<u>\$ 3,104,802</u>

C. Changes in General Long-Term Liabilities

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

	Total Balance <u>7/1/17</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/18</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/18</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 21,820	\$ -	\$ (1,485)	\$ 20,335	\$ (1,540)	\$ 18,795
Unamortized premium	<u>575</u>	<u>-</u>	<u>(63)</u>	<u>512</u>	<u>(39)</u>	<u>473</u>
Subtotal	22,395	-	(1,548)	20,847	(1,579)	19,268
Net pension liability	13,673	770	-	14,443	-	14,443
Net OPEB liability	17,646	1,475	-	19,121	-	19,121
Other:						
Landfill liability	49	-	(12)	37	(12)	25
Compensated absences	<u>123</u>	<u>-</u>	<u>(45)</u>	<u>78</u>	<u>(4)</u>	<u>74</u>
Subtotal - other	<u>172</u>	<u>-</u>	<u>(57)</u>	<u>115</u>	<u>(16)</u>	<u>99</u>
Totals	<u>\$ 53,886</u>	<u>\$ 2,245</u>	<u>\$ (1,605)</u>	<u>\$ 54,526</u>	<u>\$ (1,595)</u>	<u>\$ 52,931</u>

	Balance <u>7/1/17</u>	Additions	Reductions	Balance <u>6/30/18</u>	Current Portion	Portion <u>6/30/18</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 3,318	\$ -	\$ (372)	\$ 2,946	\$ (386)	\$ 2,560
Subtotal	3,318	-	(372)	2,946	(386)	2,560
Net pension liability	279	16	-	295	-	295
Net OPEB liability	430	36	-	466	-	466
Other:						
Compensated absences	3	1	-	4	-	4
Subtotal - other	3	1	-	4	-	4
Totals	\$ 4,030	\$ 53	\$ (372)	\$ 3,711	\$ (386)	\$ 3,325

13. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$36,600 reported as landfill postclosure care liability at June 30, 2018 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2018. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. Deferred Inflows of Resources

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

15. Governmental Funds - Balances

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

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

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

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

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

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

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

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

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

	General Fund	Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 37,502	\$ 37,502
Total Nonspendable	-	-	37,502	37,502
Restricted				
Bonded projects	-	-	3,274	3,274
Special revenue funds	-	367,367	2,954,145	3,321,512
Expendable permanent funds	-	-	51,158	51,158
Total Restricted	-	367,367	3,008,577	3,375,944
Committed				
Reserve for continuing appropriations				
General government	266,990	-	-	266,990
Public safety	27,169	-	-	27,169
Education	1,553	-	-	1,553
Public works	2,000	-	-	2,000
Culture and recreation	54,900	-	-	54,900
Capital project funds	-	-	277,153	277,153
Total Committed	352,612	-	277,153	629,765

(continued)

(continued)

	General Fund	Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
Assigned				
Encumbrances				
General government	500	-	-	500
Public safety	266	-	-	266
Education	14,212	-	-	14,212
Employee benefits	2,370	-	-	2,370
Reserve for debt exclusion	512,375	-	-	512,375
Reserved for expenditures	1,203,792	-	-	1,203,792
Other - petty cash	100	-	-	100
Total Assigned	<u>1,733,615</u>	<u>-</u>	<u>-</u>	<u>1,733,615</u>
Unassigned				
General operating stabilization	1,105,585	-	-	1,105,585
General fund	<u>1,776,597</u>	<u>-</u>	<u>(22,134)</u>	<u>1,754,463</u>
Total Unassigned	<u>2,882,182</u>	<u>-</u>	<u>(22,134)</u>	<u>2,860,048</u>
Total Fund Balance	<u>\$ 4,968,409</u>	<u>\$ 367,367</u>	<u>\$ 3,301,098</u>	<u>\$ 8,636,874</u>

16. General Fund Unassigned Fund Balance

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

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

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

GAAP basis balance	\$ 2,882,182
Stabilization fund	(1,105,585)
Tax refund estimate	<u>33,600</u>
Statutory (UMAS) Balance	<u>\$ 1,810,197</u>

17. Worcester Contributory Retirement System

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

A. Plan Description

Substantially all eligible employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Worcester Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at Worcester Regional Retirement System at 23 Midstate Drive, Suite 106, Midstate Office Park, Auburn, Massachusetts 01501 or from the System's website at www.worcesterregionalretirement.org.

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

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

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at

least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

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

Participants Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

Participants Contributions

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

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

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

Employer Contributions

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

The Town's contribution to the System for the year ended June 30, 2018 was \$914,509, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

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

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

At June 30, 2018, the Town reported a liability of \$14,737,670 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016, rolled forward to the measurement date of December 31, 2017. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, the Town’s proportion was 1.807354 percent.

At June 30, 2018, the Town’s proportion was 1.085526 percent, which was a decrease of 0.5802 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$2,027,364. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 98,041	\$ -
Changes of assumptions	1,404,456	-
Net difference between projected and actual earnings on pension plan investments	-	459,525
Changes in proportion and differences between contributions and proportionate share of contributions	<u>825,295</u>	<u>163,613</u>
Total	<u>\$ 2,327,792</u>	<u>\$ 623,138</u>

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

Year ended June 30:	
2019	\$ 496,715
2020	495,097
2021	335,886
2022	230,915
2023	<u>146,041</u>
Total	<u>\$ 1,704,654</u>

D. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

COLA	3% of the first \$14,000
Salary increases	4.25% per year, including longevity
Investment rate of return	7.75%

Mortality rates were based on the RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. For disabled lives, the mortality rates were based on the RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	40.00%	4.91%
Fixed income	22.00%	2.04%
Private equity	11.00%	6.50%
Real estate	10.00%	3.70%
Timber/natural resources	4.00%	3.25%
Hedge funds	<u>13.00%</u>	3.40%
Total	<u>100.00%</u>	

E. Discount Rate

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

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate:

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$ 17,962,047	\$ 14,737,670	\$ 12,014,659

G. Pension Plan Fiduciary Net Position

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

18. Massachusetts Teachers' Retirement System (MTRS)

A. Plan Description

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

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

B. Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

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

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

C. Contributions

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

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

D. Actuarial Assumptions

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

- (a) 7.50% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct).
 - Post-retirement – reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB with a base year of 2014 (gender-distinct).
 - Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 set forward 4 years.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	40.0%	5.0%
Portfolio completion strategies	13.0%	3.6%
Core fixed income	12.0%	1.1%
Private equity	11.0%	6.6%
Real estate	10.0%	3.6%
Value added fixed income	10.0%	3.8%
Timber/natural resources	4.0%	3.2%
Hedge funds	0.0%	3.6%
Total	<u>100.0%</u>	

E. Discount Rate

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

F. Sensitivity Analysis

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

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

G. Special Funding Situation

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

H. Town Proportions

In fiscal year 2017 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the Town was \$26,836,952 and \$2,801,051 respectively, based on a proportionate share of 0.117267%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expenditure in the general fund.

19. Other Post-Employment Benefits (GASB 75)

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2017.

A. General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

Plan Membership

At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	106
Active employees	<u>301</u>
Total	<u><u>407</u></u>

B. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3%
Salary increases	3%, average, including inflation
Investment rate of return	3.13%, net of OPEB plan investment expense
Municipal bond rate	3.13%
Discount rate	3.13%
Healthcare cost trend rates	8% for 2017, fluctuating 3%, to an ultimate rate of 5% as of 2024 and later years

Mortality rates were based on RP-2014 with MP-2014 projection.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equities	40.00%	6.50%
Fixed income	23.00%	1.50%
Private equity	10.00%	6.00%
Real estate	10.00%	5.50%
Other	17.00%	0.00%
Total	<u>100.00%</u>	

C. Discount Rate

The discount rate used to measure the net OPEB liability was 3.13%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 3.13% and municipal

bond rate of 3.13% (based on index provided by Standard and Poor's on 20-year municipal bond rate as of June 30, 2017).

D. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2017, were as follows:

Total OPEB liability	\$ 19,970,186
Plan fiduciary net position	<u>382,487</u>
Net OPEB liability	<u>\$ 19,587,699</u>

E. Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 18,301,328	\$ 225,227	\$ 18,076,101
Changes for the year:			
Service cost	1,160,278	-	1,160,278
Interest	778,464	-	778,464
Contributions - employer	-	403,206	(403,206)
Net investment income	-	23,938	(23,938)
Benefit payments	<u>(269,884)</u>	<u>(269,884)</u>	<u>-</u>
Net Changes	<u>1,668,858</u>	<u>157,260</u>	<u>1,511,598</u>
Balances, end of year	<u>\$ 19,970,186</u>	<u>\$ 382,487</u>	<u>\$ 19,587,699</u>

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

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

1% Decrease	Current Discount Rate	1% Increase
\$ 23,216,488	\$ 19,587,699	\$ 15,958,909

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that

are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 15,571,400	\$ 19,587,699	\$ 24,533,735

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

For the year ended June 30, 2018, the Town recognized an OPEB expense of \$1,938,742. At June 30, 2018, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Contributions subsequent to the measurement date	\$ <u>126,842</u>
Total	\$ <u><u>126,842</u></u>

The \$126,842 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2019.

20. Other Post-Employment Benefits (GASB 74)

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2014, the Town established an OPEB Trust Fund to provide funding for future employee health care costs.

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

A. Investments

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

Rate of return. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 5.08 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

B. Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3%
Salary increases	3%, average, including inflation
Investment rate of return	2.98%, net of OPEB plan investment expense
Municipal bond rate	3.13%
Discount rate	2.98%
Healthcare cost trend rates	8% for 2018, fluctuating 3%, to an ultimate rate of 5% as of 2024 and later years

Mortality rates were based on RP-2014 with MP-2014 projection.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	40.00%	6.50%
Fixed income	23.00%	1.50%
Private equity	10.00%	6.00%
Real estate	10.00%	5.50%
Other	<u>17.00%</u>	0.00%
Total	<u>100.00%</u>	

C. Discount Rate

The discount rate used to measure the total OPEB liability was 2.98%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 2.98% and municipal bond rate of 3.13% (based on index provided by Standard & Poor's AA Municipal Bond Index on 20-year municipal bond rate as of June 30, 2018).

D. Net OPEB Liability

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

Total OPEB liability	\$ 21,855,930
Plan fiduciary net position	<u>531,956</u>
Net OPEB liability	<u>\$ 21,323,974</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 2.43%

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

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

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 25,249,739	\$ 21,323,974	\$ 17,398,209

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

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

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 16,864,275	\$ 21,323,974	\$ 26,830,263

21. Commitments and Contingencies

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

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

22. Beginning Fund Balance Restatement

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

Government-Wide Financial Statements:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u> Enterprise <u>Funds</u>	<u>Total</u>
As previously reported	\$ 51,738,672	\$ 6,770,474	\$ 58,509,146
To restate PY OPEB calculation	(8,993,108)	(230,638)	(9,223,746)
To record PY unbilled receivable	-	411,811	411,811
To reclass land acquisition to water/sewer enterprise	<u>(400,000)</u>	<u>400,000</u>	<u>-</u>
As restated	\$ <u>42,345,564</u>	\$ <u>7,351,647</u>	\$ <u>49,697,211</u>

TOWN OF DOUGLAS, MASSACHUSETTS
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)

JUNE 30, 2018
(Unaudited)

Worcester County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2018	December 31, 2017	1.807354%	\$14,737,670	\$ 5,726,211	257.37%	46.40%
June 30, 2017	December 31, 2016	1.665727%	\$13,952,025	\$ 6,111,451	228.29%	42.00%
June 30, 2016	December 31, 2015	1.673328%	\$11,877,399	\$ 5,729,138	207.32%	44.52%
June 30, 2015	December 31, 2014	1.717729%	\$10,221,653	\$ 5,508,787	185.55%	47.94%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2018	June 30, 2017	0.117267%	\$ -	\$ 26,836,952	\$ 26,836,952	\$ 7,962,978	-	54.25%
June 30, 2017	June 30, 2016	0.135543%	\$ -	\$ 30,304,669	\$ 30,304,669	\$ 8,915,551	-	52.73%
June 30, 2016	June 30, 2015	0.133839%	\$ -	\$ 27,423,140	\$ 27,423,140	\$ 8,772,387	-	55.38%
June 30, 2015	June 30, 2014	0.142008%	\$ -	\$ 22,574,170	\$ 22,574,170	\$ 8,707,212	-	61.64%

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

See Independent Auditors' Report.

TOWN OF DOUGLAS, MASSACHUSETTS

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2018

(Unaudited)

Worcester Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	December 31, 2017	\$ 914,509	\$ 914,509	\$ -	\$ 5,726,211	15.97%
June 30, 2017	December 31, 2016	\$ 809,124	\$ 809,124	\$ -	\$ 6,111,451	13.24%
June 30, 2016	December 31, 2015	\$ 752,764	\$ 752,764	\$ -	\$ 5,729,138	13.14%
June 30, 2015	December 31, 2014	\$ 678,830	\$ 678,830	\$ -	\$ 5,508,787	12.32%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	June 30, 2017	\$ 1,448,848	\$ 1,448,848	\$ -	\$ 7,962,978	18.19%
June 30, 2017	June 30, 2016	\$ 1,524,297	\$ 1,524,297	\$ -	\$ 8,915,551	17.10%
June 30, 2016	June 30, 2015	\$ 1,367,741	\$ 1,367,741	\$ -	\$ 8,772,387	15.59%
June 30, 2015	June 30, 2014	\$ 1,331,158	\$ 1,331,158	\$ -	\$ 8,707,212	15.29%

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

See Independent Auditors' Report.

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

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

(Unaudited)

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 1,244,458	\$ 1,160,278
Interest on unfunded liability - time value of \$	608,518	778,464
Differences between expected and actual experience	(268,883)	-
Changes of assumptions	594,117	-
Benefit payments, including refunds of member contributions	<u>(292,466)</u>	<u>(269,884)</u>
Net change in total OPEB liability	1,885,744	1,668,858
Total OPEB liability - beginning	<u>19,970,186</u>	<u>18,301,328</u>
Total OPEB liability - ending (a)	<u><u>\$ 21,855,930</u></u>	<u><u>\$ 19,970,186</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 419,308	\$ 403,206
Net investment income	22,627	23,938
Benefit payments, including refunds of member contributions	<u>(292,466)</u>	<u>(269,884)</u>
Net change in plan fiduciary net position	149,469	157,260
Plan fiduciary net position - beginning	<u>382,487</u>	<u>225,227</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 531,956</u></u>	<u><u>\$ 382,487</u></u>
Net OPEB liability (asset) - ending (a-b)	<u><u>\$ 21,323,974</u></u>	<u><u>\$ 19,587,699</u></u>

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

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

See Independent Auditors' Report.

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

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

(Unaudited)

Schedule of Net OPEB Liability

	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 21,855,930	\$ 19,970,186
Plan fiduciary net position	<u>531,956</u>	<u>382,487</u>
Net OPEB liability	<u>\$ 21,323,974</u>	<u>\$ 19,587,699</u>
Plan fiduciary net position as a percentage of the total OPEB liability	2.43%	1.92%
Covered employee payroll	\$ 15,440,632	\$ 15,440,632
Participating employer net OPEB liability as a percentage of covered employee payroll	138.10%	126.86%

Schedule of Contributions

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 1,852,976	\$ 1,938,742
Contributions in relation to the actuarially determined contribution	<u>419,308</u>	<u>403,206</u>
Contribution deficiency	<u>\$ 1,433,668</u>	<u>\$ 1,535,536</u>
Covered employee payroll	\$ 15,440,632	\$ 15,440,632
Contributions as a percentage of covered employee payroll	2.72%	2.61%

Schedule of Investment Returns

	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	5.08%	8.50%

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

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

See Independent Auditors' Report.