

TOWN OF WILMINGTON, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2016

TOWN OF WILMINGTON MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Wilmington, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wilmington, Massachusetts, (the Town) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2016 and the respective changes

in financial position where applicable and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2017, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
January 12, 2017

Management's Discussion and Analysis

As the management of the Town of Wilmington, Massachusetts (the Town) we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by approximately \$24.8 million (*total net position*). Approximately \$4.7 million represented net position of governmental activities and almost \$20.1 million represented net position of the business-type activities.
- The government's total net position decreased by approximately \$1.2 million. This was due to a decrease of over \$0.7 million in governmental activities and a decrease of almost \$0.5 million in business-type activities. The decrease in governmental activities was primarily the result of positive operations as the Town's actual operating results exceeded forecasts, offset by increases in the governmental activities net pension liability and other postemployment benefits. The decrease in business-type activities was not significant and due primarily to the recognition of depreciation and accrual-based personnel benefit costs the Town intends to fund with future financial resources.
- The Town's Unassigned Fund Balance reported in the General Fund grew by approximately \$6.5 million to over \$23.7 million (or 24.4% of General Fund expenditures). Total Fund Balance in the General Fund increased approximately \$6.7 million to over \$30.7 million (or 31.7% of General Fund expenditures). The Town reported a Restricted Fund Balance of approximately \$2.2 million in aggregate in the High School Construction Fund and the Nonmajor Governmental Funds. In addition the Nonmajor Governmental Funds maintain \$1.0 million in nonspendable fund balances.
- The Town's total long-term debt decreased by approximately \$2.1 million during the fiscal year due to regularly scheduled pay downs of principal. There were no issuances of debt during the year.

Overview of the Financial Statements

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

Government-wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government'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.)

The government-wide financial statements consist of three classifications; (1) those who activities are principally supported by taxes and intergovernmental revenue (governmental activities); and (2) those whose activities are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the Town include general government, public safety, education, highways and streets, economic development, debt service, fringe benefits and culture and recreation. The business-type activities of the Town are comprised completely of the water and sewer enterprise fund.

Fund Financial Statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

- Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed – amounts constrained by a government using its highest level of decision-making authority
- Assigned – amounts a government intends to use for a particular purpose
- Unassigned – amounts that are not constrained at all will be reported in the general fund

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Reconciliations are provided as indicated in the table of contents, within the basic financial statements to help the reader understand the differences.

The Town maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the high school construction fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found after the notes to the financial statements.

Proprietary Funds – The Town maintains two types of proprietary funds. *Enterprise funds*, which consist of the Town’s water and sewer activities, are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The *Internal Service Fund* is a governmental activity and is used to account for the Town’s self-insured health insurance. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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

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

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town’s proportionate share of its net pension liability and contributions to its pension plan, the Commonwealth’s share of the net pension liability of the Massachusetts Teacher’s Retirement System, the Town’s progress in funding its obligation to provide other postemployment benefits to its employees, as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government’s financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$24.8 million at the close of the most recent fiscal year.

The condensed statement of net position is as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<u>Assets</u>						
Current and other assets	\$ 53,437,501	\$ 52,157,811	\$ 6,338,918	\$ 6,421,161	\$ 59,776,419	\$ 58,578,972
Capital assets, net	126,322,100	123,037,092	22,560,710	22,897,542	148,882,810	145,934,634
Total Assets	179,759,601	175,194,903	28,899,628	29,318,703	208,659,229	204,513,606
<u>Deferred Outflows of Resources</u>						
Prepaid expenses	1,415,995	1,184,261	-	-	1,415,995	1,184,261
Pension related deferred outflows	3,520,704	218,737	273,284	16,979	3,793,988	235,716
Total Deferred Outflows of Resources	4,936,699	1,402,998	273,284	16,979	5,209,983	1,419,977
<u>Liabilities</u>						
Long-term liabilities	166,683,781	157,940,556	8,794,666	8,487,567	175,478,447	166,428,123
Other liabilities	12,624,069	13,210,621	237,954	304,757	12,862,023	13,515,378
Total Liabilities	179,307,850	171,151,177	9,032,620	8,792,324	188,340,470	179,943,501
<u>Deferred Inflows of Resources</u>						
Pension related deferred inflows	673,411	-	52,272	-	725,683	-
Total Deferred Inflows of Resources	673,411	-	52,272	-	725,683	-
<u>Net Position</u>						
Net investment of capital assets	88,407,100	87,318,422	20,435,710	20,627,542	108,842,810	107,945,964
Restricted	11,556,923	10,210,428	-	-	11,556,923	10,210,428
Unrestricted	(95,248,984)	(92,082,126)	(347,690)	(84,184)	(95,596,674)	(92,166,310)
Net Position	\$ 4,715,039	\$ 5,446,724	\$ 20,088,020	\$ 20,543,358	\$ 24,803,059	\$ 25,990,082

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

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a deficit of approximately \$95.6 million. This has resulted due to the recognition in long-term liabilities of net pension liability obligations of approximately \$74.4 million following the implementation of GASB Statement 68 in the current fiscal year; and other postemployment benefits of approximately \$58.5 million accumulated since the implementation of GASB 45 in fiscal year 2009.

The condensed statement of changes in net position is as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 7,749,844	\$ 6,240,221	\$ 7,598,112	\$ 7,116,595	\$ 15,347,956	\$ 13,356,816
Operating grants and contributions	25,593,455	23,679,046	-	-	25,593,455	23,679,046
Capital grants and contributions	1,175,548	15,124,115	90,812	14,476	1,266,360	15,138,591
General revenues:						
Property taxes	73,923,906	69,939,811	-	-	73,923,906	69,939,811
Motor vehicle and other excise	4,639,818	4,190,450	-	-	4,639,818	4,190,450
Intergovernmental	2,288,383	2,210,143	-	-	2,288,383	2,210,143
Other	1,073,889	727,721	135	-	1,074,024	727,721
Total Revenues	116,444,843	122,111,507	7,689,059	7,131,071	124,133,902	129,242,578
<u>Expenses</u>						
General government	13,105,673	12,827,756	-	-	13,105,673	12,827,756
Public safety	18,362,253	18,224,304	-	-	18,362,253	18,224,304
Education	69,932,023	61,917,667	-	-	69,932,023	61,917,667
Public works	8,832,259	9,230,430	-	-	8,832,259	9,230,430
Health and human services	1,494,287	1,438,129	-	-	1,494,287	1,438,129
Culture and recreation	4,137,900	2,865,723	-	-	4,137,900	2,865,723
Debt service	1,516,002	1,559,973	-	-	1,516,002	1,559,973
Water	-	-	4,906,309	4,710,859	4,906,309	4,710,859
Sewer	-	-	3,034,219	2,876,566	3,034,219	2,876,566
Total Expenses	117,380,397	108,063,982	7,940,528	7,587,425	125,320,925	115,651,407
Increase (decrease) in net position before transfers	(935,554)	14,047,525	(251,469)	(456,354)	(1,187,023)	13,591,171
Transfers	203,869	7,757	(203,869)	(7,757)	-	-
Change in net position	(731,685)	14,055,282	(455,338)	(464,111)	(1,187,023)	13,591,171
Net position, beginning of year	5,446,724	54,682,987	20,543,358	25,920,281	25,990,082	80,603,268
Restatement for net pension liability	-	(63,291,545)	-	(4,912,812)	-	(68,204,357)
Net position, end of year	\$ 4,715,039	\$ 5,446,724	\$ 20,088,020	\$ 20,543,358	\$ 24,803,059	\$ 25,990,082

Governmental Activities - The Town's reliance on property taxes is significant. During 2016 property taxes made up approximately 63.5% of total revenues as compared with 57.3% in the prior year. In dollar terms, property taxes were \$4.0 million higher than the prior year which was in line with increases due to new growth, tax exempt debt and statutory annual limitations.

Excise taxes increased almost \$0.4 million with nearly half of the increase generated from the Town's adoption of the local meals tax starting with fiscal year 2015.

Capital grants decreased significantly in fiscal year 2016 to \$1.2 million or 1.0% of revenues as compared to \$15.1 million or 12.4% of revenues in the previous year. The decrease is due to the completion of the High School Construction project and subsequent phase out of reimbursements from the Commonwealth during fiscal year 2016.

An additional significant portion of the remaining revenues is made up of operating grants and contributions which comprised of 22.0% of total revenues, up slightly from 19.4%, as in dollar amounts

such funding increased \$1.9 million which was due mainly to the Town's special funding situation with the Massachusetts Teacher's Retirement System which almost doubled in the current year causing both revenues and expenses to increase. No other revenues were greater than 10% of total revenues in 2016 or 2015.

Major expenses were for education which continues to be an area that the Town devotes significant resources. Education represented 59.6% which is consistent with the prior year's 57.3%. The dollar increase is due to the special funding situation described under revenues and increases required to meet the Town's desired net pupil spending level. Public safety expenses represented 15.6% decreasing from the prior year of 16.9%. General government expenses were 11.2% down slightly from 11.9% in the prior year. No other expense types were greater than 10% of total expenses in 2016 or 2015.

Business-type Activities - Major revenue sources consist of revenue from water and sewer utility services which represented approximately 100% of total revenues. Water and sewer utility expenses represented 61.8% and 38.2% of total business-type expenses, respectively. These also included debt service costs.

Financial Analysis of the Government's Funds

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

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

The Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$36.0 million, with the general fund being the chief operating fund of the Town and representing 85.3% of the total. At the end of the current fiscal year, unassigned fund balance in the general fund was approximately \$23.7 million, while the total fund balance reached over \$30.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 24.4% of total general fund expenditures, while total fund balance represents approximately 31.7% of that same amount.

In addition to the \$23.7 million in the general fund previously discussed, there was a balance restricted for debt service of nearly \$2.3 million, a committed balance of almost \$0.4 million and an assigned fund balance of approximately \$4.5 million.

The High School Construction Fund and combined Nonmajor funds had restricted fund balances in aggregate of approximately \$7.9 million. The remaining fund balances were made up primarily of a nonspendable fund balance of \$0.9 million; committed fund balances of \$0.6 million and negative unassigned fund balance of less than \$1.6 million.

The High School Construction Fund was established to account for the Town's construction of a new high school which is being funded from the general obligation bond issuances and Massachusetts School Building Authority (MSBA) reimbursements. The total project budget is \$82.7 million with an expected reimbursement rate of 55.19% of eligible expenditures from the MSBA. In fiscal year 2016, the project incurred expenditures or construction in progress of \$4.6 million. The Town recognized revenue from the MSBA in the amount of \$0.4 million.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the water and sewer utility funds were approximately \$12.9 million and \$7.2 million respectively. Furthermore, these balances represented decreases in the water and sewer net position balances of about \$0.1 million and over \$0.3 million, respectively as compared to the prior year.

In addition, within the Proprietary Funds, the Town records the self-insured employee and retiree health insurance activities as an internal service fund. Net position in the fund was almost \$4.7 million and reflected about a \$1.3 million increase from the prior year as contributions exceeded claims. The net position represented approximately 32.6% of the operating costs for fiscal year 2016.

Fiduciary Funds – The Town's fiduciary funds are comprised of multiple fund purposes. The private purpose trust funds totaling \$0.6 million and are earmarked for use as educational scholarships or personal assistance to Town residents and may not be used for Town operating purposes. Additionally the other postemployment benefits fund was established to offset the costs of postemployment health and other non-pension benefit expenses; the net position in this fund approximates \$1.7 million and was established in fiscal year 2015. Remaining holdings within the fiduciary funds relate to agency amounts held by the Town on-behalf of other specific groups.

General Fund Budgetary Highlights

The overall difference between the total original budget and the final amended budget were insignificant. Less than \$1 million across 3 categories.

A budget to actual schedule for the general fund has been provided as required supplementary information.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to approximately \$148.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment and reflects an increase of approximately \$2.9 million net of depreciation and disposals.

Additional information on the Town capital assets can be found in Note II, Section D. of this report.

Long-term Debt - At the end of the current fiscal year, the Town had total debt outstanding of approximately \$40.2 million. The entire amount comprises debt backed by the full faith and credit of the government. The Town's total long-term debt decreased by approximately \$2.1 million during the fiscal year due to regularly scheduled pay downs of principal.

The Town maintained a bond rating of "AA+" as set by Standard & Poor's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0% percent of its total assessed valuation. The current debt limitation for the Town is approximately \$206 million, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's debt can be found Note II, Section E and F of this report.

Economic Factors and Next Year's Budgets and Rates

- Unemployment rates continue to improve, both nationally and at the local level. Rates are currently trending below pre-recession levels.
- The Town's housing market has stabilized and prices are approaching their early 2000 peaks. This has been fueled by an attractive mortgage market as rates are at historic lows. The Town is participating in this rebound as real estate sales are exceeding their assessed values and in certain situations their asking prices, however the extent and breadth of this rebound cannot be easily predicted.
- The Town's Free Cash approved by the Massachusetts Department of Revenue as available to spend was \$18.3 million. Such funds can only be appropriated by authorization at Town Meeting and can be left unused and recertified in future fiscal years.
- At the end of fiscal year 2015, the Town formally adopted the OPEB Trust Fund legislation under MGL Chapter 32B Section 20 and created a Retirement Stabilization Fund. With the present financial surpluses available to the Town, it is anticipated the Town will likely continue to utilize more formal methods of allocating current resources towards future use purposes in order to help offset or mitigate budget impacts from costs committed to or that may be unanticipated. With this in mind, the Town did appropriate an additional \$1.0 million into the OPEB Trust Fund and \$0.5 million into the Retirement Stabilization Fund for fiscal year 2017.
- For fiscal year 2017, the Town's real estate tax base is made up predominantly of residential taxes, which comprise nearly 60.2% of the Town's property tax base. The Town also relies on its commercial and industrial real estate tax base, which in aggregate comprise 35.1% of the Town's property tax base. In addition Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase property taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy.
- The Town's fiscal year 2017 tax rate was set on December 6, 2016, at a rate of \$14.45 per thousand of residential real estate property values and \$32.46 per thousand for commercial and industrial real estate property and personal property values. Accordingly, commercial and industrial real estate property is assessed at 2.25 times that of residential properties.

The above items were considered when the Town developed its budget for fiscal year 2017.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Accountant, Town Hall, 121 Glen Road, Wilmington, Massachusetts, 01887.

TOWN OF WILMINGTON, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 46,613,218	\$ 3,858,679	\$ 50,471,897
Investments	1,004,730	-	1,004,730
Receivables, net of allowance for uncollectibles:			
Property taxes	948,136	-	948,136
Tax titles	1,593,282	-	1,593,282
Excise taxes	627,826	-	627,826
User fees	-	2,303,433	2,303,433
Departmental and other	544,627	176,806	721,433
Intergovernmental	1,439,865	-	1,439,865
Tax foreclosures	665,817	-	665,817
Capital assets, not being depreciated	9,567,448	1,854,000	11,421,448
Depreciable capital assets, net of accumulated depreciation	116,754,652	20,706,710	137,461,362
Total Assets	179,759,601	28,899,628	208,659,229
Deferred Outflows of Resources			
Prepaid expenses - health insurance claims	1,415,995	-	1,415,995
Pension related net deferred outflows	3,520,704	273,284	3,793,988
Total Deferred Outflows of Resources	4,936,699	273,284	5,209,983
Liabilities			
Warrants and accounts payable	2,620,857	58,807	2,679,664
Retainage payable	649,618	-	649,618
Health claims payable	610,010	-	610,010
Appellate tax board cases	499,638	-	499,638
Bond anticipation notes	5,450,000	-	5,450,000
Long-term liabilities:			
Due within one year	2,793,946	179,147	2,973,093
Due in more than one year	166,683,781	8,794,666	175,478,447
Total Liabilities	179,307,850	9,032,620	188,340,470
Deferred Inflows of Resources	673,411	52,272	725,683
Net Position			
Net investment in capital assets	88,407,100	20,435,710	108,842,810
Restricted for:			
Nonexpendable permanent funds	956,690	-	956,690
Federal and state grants	2,457,138	-	2,457,138
Health insurance claims trust	4,674,610	-	4,674,610
Other purposes	3,468,485	-	3,468,485
Unrestricted	(95,248,984)	(347,690)	(95,596,674)
Total Net Position	\$ 4,715,039	\$ 20,088,020	\$ 24,803,059

See accompanying notes to basic financial statements.

TOWN OF WILMINGTON, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 13,105,673	\$ 736,740	\$ 432,176	\$ -	\$ (11,936,757)		\$ (11,936,757)
Public safety	18,362,253	2,410,384	844,117	-	(15,107,752)		(15,107,752)
Education	69,932,023	2,820,963	23,364,148	368,238	(43,378,674)		(43,378,674)
Public works	8,832,259	304,539	351,907	807,010	(7,368,803)		(7,368,803)
Health and human services	1,494,287	116,496	468,460	300	(909,031)		(909,031)
Culture and recreation	4,137,900	1,360,722	132,647	-	(2,644,531)		(2,644,531)
Interest expense	1,516,002	-	-	-	(1,516,002)		(1,516,002)
Total Governmental Activities	117,380,397	7,749,844	25,593,455	1,175,548	(82,861,550)		(82,861,550)
Business-Type Activities							
Water	4,906,309	4,699,150	-	75,000		\$ (132,159)	(132,159)
Sewer	3,034,219	2,898,962	-	15,812		(119,445)	(119,445)
Total Business-Type Activities	7,940,528	7,598,112	-	90,812		(251,604)	(251,604)
Total Primary Government	<u>\$ 125,320,925</u>	<u>\$ 15,347,956</u>	<u>\$ 25,593,455</u>	<u>\$ 1,266,360</u>	<u>(82,861,550)</u>	<u>(251,604)</u>	<u>(83,113,154)</u>
General Revenues							
Property taxes					73,923,906	-	73,923,906
Motor vehicle and other excise					4,639,818	-	4,639,818
Intergovernmental					2,288,383	-	2,288,383
Penalties and interest on taxes					720,646	-	720,646
Investment income					321,111	135	321,246
Gain on sale of capital assets					32,132	-	32,132
Transfers (net)					203,869	(203,869)	-
Total General Revenues and Transfers					82,129,865	(203,734)	81,926,131
Change in Net Position					(731,685)	(455,338)	(1,187,023)
Net Position							
Beginning of year					5,446,724	20,543,358	25,990,082
End of year					<u>\$ 4,715,039</u>	<u>\$ 20,088,020</u>	<u>\$ 24,803,059</u>

See accompanying notes to basic financial statements.

TOWN OF WILMINGTON, MASSACHUSETTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>High School Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 32,759,875	\$ 4,922,582	\$ (512,828)	\$ 5,661,240	\$ 42,830,869
Investments	-	-	-	1,004,730	1,004,730
Receivables, net of allowance for uncollectibles:					
Real estate and personal property taxes	948,136	-	-	-	948,136
Tax titles	1,593,282	-	-	-	1,593,282
Excise taxes	627,826	-	-	-	627,826
Departmental and other	315,071	-	-	143,280	458,351
Due from other government	68,307	-	1,004,460	367,098	1,439,865
Tax foreclosures	665,817	-	-	-	665,817
Total Assets	<u>36,978,314</u>	<u>4,922,582</u>	<u>491,632</u>	<u>7,176,348</u>	<u>49,568,876</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 36,978,314</u></u>	<u><u>\$ 4,922,582</u></u>	<u><u>\$ 491,632</u></u>	<u><u>\$ 7,176,348</u></u>	<u><u>\$ 49,568,876</u></u>
Liabilities					
Warrants and accounts payable	\$ 1,562,841	\$ 621,736	\$ -	\$ 436,280	\$ 2,620,857
Retainage Payable	-	72,135	577,483	-	649,618
Appellate court cases	499,638	-	-	-	499,638
Bond anticipation notes	-	5,450,000	-	-	5,450,000
Total Liabilities	<u>2,062,479</u>	<u>6,143,871</u>	<u>577,483</u>	<u>436,280</u>	<u>9,220,113</u>
Deferred Inflows of Resources					
Unearned revenue - property taxes	948,136	-	-	-	948,136
Unearned revenue - tax titles	1,593,282	-	-	-	1,593,282
Unearned revenue - excise taxes	627,826	-	-	-	627,826
Unearned revenue - tax foreclosures	665,817	-	-	-	665,817
Unearned revenue - other	315,071	-	-	143,280	458,351
Total Deferred Inflows of Resources	<u>4,150,132</u>	<u>-</u>	<u>-</u>	<u>143,280</u>	<u>4,293,412</u>
Fund Balances					
Nonspendable	-	-	-	956,690	956,690
Restricted	2,257,439	-	-	5,665,362	7,922,801
Committed	366,047	260,261	-	-	626,308
Assigned	4,485,639	-	-	-	4,485,639
Unassigned	23,656,578	(1,481,550)	(85,851)	(25,264)	22,063,913
Total Fund Balances	<u>30,765,703</u>	<u>(1,221,289)</u>	<u>(85,851)</u>	<u>6,596,788</u>	<u>36,055,351</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>\$ 36,978,314</u></u>	<u><u>\$ 4,922,582</u></u>	<u><u>\$ 491,632</u></u>	<u><u>\$ 7,176,348</u></u>	<u><u>\$ 49,568,876</u></u>

See accompanying notes to basic financial statements.

TOWN OF WILMINGTON, MASSACHUSETTS

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

JUNE 30, 2016

Total Governmental Fund Balances		\$ 36,055,351
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		126,322,100
Other long-term assets are not available to pay for current-period expenditures and are therefore reported as unavailable in the governmental funds.		4,293,412
Assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Town's internal service fund are included in the Statement of Net Position, but are not reported in the governmental funds		4,674,610
Deferred outflows and inflows of resources of the to be recognized in future pension expense are not available resources and, therefore, are not reported in the funds		2,847,293
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Bonds and notes payable	(38,100,700)	
Unamortized bond premium	(2,257,980)	
Compensated absences	(2,905,777)	
Net pension liability	(69,043,847)	
Other postemployment benefits	(57,169,423)	
Net effect of reporting long-term liabilities	<u>(169,477,727)</u>	<u>(169,477,727)</u>
Net Position of Governmental Activities		<u>\$ 4,715,039</u>
See accompanying notes to basic financial statements.		

TOWN OF WILMINGTON, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	General Fund	Capital Projects	High School Construction	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 73,509,286	\$ -	\$ -	\$ -	\$ 73,509,286
Payment in lieu of taxes	765,497	-	-	-	765,497
Intergovernmental	20,286,428	-	368,238	4,228,078	24,882,744
Motor vehicle and other excises	4,561,024	-	-	-	4,561,024
Departmental and other revenue	2,439,439	-	-	4,280,320	6,719,759
Licenses and permits	915,115	-	-	-	915,115
Penalties and interest on taxes	720,646	-	-	-	720,646
Fines and forfeitures	85,379	-	-	-	85,379
Investment income	253,224	-	-	67,245	320,469
Contributions and donations	-	300	-	358,614	358,914
Total Revenues	<u>103,536,038</u>	<u>300</u>	<u>368,238</u>	<u>8,934,257</u>	<u>112,838,833</u>
Expenditures					
Current:					
General government	8,339,070	-	-	53,837	8,392,907
Public safety	10,338,677	-	-	141,531	10,480,208
Education	41,052,171	-	4,595,419	6,508,752	52,156,342
Public works	6,147,465	-	-	687,804	6,835,269
Health and human services	947,374	-	-	129,179	1,076,553
Culture and recreation	1,365,997	1,481,850	-	1,310,439	4,158,286
Pension and fringe benefits	12,871,530	-	-	-	12,871,530
Health insurance benefits	11,586,834	-	-	-	11,586,834
State and county tax assessments	869,891	-	-	-	869,891
Debt Service:					
Principal	1,945,000	-	-	19,979	1,964,979
Interest	1,623,525	-	-	-	1,623,525
Total Expenditures	<u>97,087,534</u>	<u>1,481,850</u>	<u>4,595,419</u>	<u>8,851,521</u>	<u>112,016,324</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,448,504</u>	<u>(1,481,550)</u>	<u>(4,227,181)</u>	<u>82,736</u>	<u>822,509</u>
Other Financing Sources (Uses)					
Proceeds from sale of assets	32,132	-	-	-	32,132
Transfers in	243,869	-	-	-	243,869
Transfers out	-	-	-	(40,000)	(40,000)
Total Other Financing Sources (Uses)	<u>276,001</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>	<u>236,001</u>
Net Change in Fund Balances	6,724,505	(1,481,550)	(4,227,181)	42,736	1,058,510
Fund Balances - Beginning of year	<u>24,041,198</u>	<u>260,261</u>	<u>4,141,330</u>	<u>6,554,052</u>	<u>34,996,841</u>
Fund Balances - End of year	<u>\$ 30,765,703</u>	<u>\$ (1,221,289)</u>	<u>\$ (85,851)</u>	<u>\$ 6,596,788</u>	<u>\$ 36,055,351</u>

See accompanying notes to basic financial statements.

TOWN OF WILMINGTON, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 1,058,510**

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. The net amounts are reflected here as reconciling items:

Capital outlays	7,557,185	
Depreciation	(4,272,177)	
Net effect of reporting capital assets		3,285,008

In the Statement of Activities, Internal Service Funds established to administer the Town's health insurance activities are included within the Statement of Activities; whereas, these activities are not presented in the Statement of Revenues, Expenditures and Changes in Fund Balances. 1,323,713

The issuance of long-term debt 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 has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas these amounts are deferred and amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:

Repayments of existing debt	1,964,979	
Net effect of reporting long-term debt		1,964,979

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The net amount presented represented as a reconciling item represents the difference in unavailable revenue between the current and prior years. (242,492)

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:

Unamortized debt premium	107,523	
Compensated absences	(187,020)	
Net pension liability	(1,644,036)	
Other postemployment benefits	(6,397,870)	
Net effect of reporting long-term liabilities		(8,121,403)

Change in Net Position of Governmental Activities **\$ (731,685)**

See accompanying notes to basic financial statements.

TOWN OF WILMINGTON, MASSACHUSETTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016**

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water	Sewer	Totals	Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,424,681	\$ 433,998	\$ 3,858,679	\$ 3,782,349
Receivables, net of allowance for uncollectibles:				
User charges	1,506,162	797,271	2,303,433	-
Betterments	-	12,325	12,325	-
Stop loss insurance	-	-	-	86,276
Total Current Assets	<u>4,930,843</u>	<u>1,243,594</u>	<u>6,174,437</u>	<u>3,868,625</u>
Noncurrent assets:				
Receivables, net of allowance for uncollectibles:				
Betterments	-	164,481	164,481	-
Capital assets, not being depreciated	1,854,000	-	1,854,000	-
Depreciable capital assets, net of accumulated depreciation	13,950,713	6,755,997	20,706,710	-
Total Noncurrent Assets	<u>15,804,713</u>	<u>6,920,478</u>	<u>22,725,191</u>	<u>-</u>
Total Assets	<u>20,735,556</u>	<u>8,164,072</u>	<u>28,899,628</u>	<u>3,868,625</u>
Deferred Outflow of Resources				
Prepaid expense - health insurance claims	-	-	-	1,415,995
Net difference between pension investment earnings	273,284	-	273,284	-
Total Deferred Outflow of Resources	<u>273,284</u>	<u>-</u>	<u>273,284</u>	<u>1,415,995</u>
Liabilities				
Current liabilities:				
Warrants and accounts payable	57,249	1,558	58,807	-
Health claims payable	-	-	-	610,010
Bonds and notes payable	80,000	65,000	145,000	-
Compensated absences	34,147	-	34,147	-
Total Current Liabilities	<u>171,396</u>	<u>66,558</u>	<u>237,954</u>	<u>610,010</u>
Noncurrent liabilities:				
Bonds and notes payable	1,120,000	860,000	1,980,000	-
Compensated absences	102,441	-	102,441	-
Net pension liability	5,359,317	-	5,359,317	-
Other postemployment benefits	1,352,908	-	1,352,908	-
Total Noncurrent Liabilities	<u>7,934,666</u>	<u>860,000</u>	<u>8,794,666</u>	<u>-</u>
Total Liabilities	<u>8,106,062</u>	<u>926,558</u>	<u>9,032,620</u>	<u>610,010</u>
Total Deferred Inflows of Resources	<u>52,272</u>	<u>-</u>	<u>52,272</u>	<u>-</u>
Net Position				
Net investment in capital assets	14,604,713	5,830,997	20,435,710	-
Held for health claims	-	-	-	4,674,610
Unrestricted	(1,754,207)	1,406,517	(347,690)	-
Total Net Position	<u><u>\$ 12,850,506</u></u>	<u><u>\$ 7,237,514</u></u>	<u><u>\$ 20,088,020</u></u>	<u><u>\$ 4,674,610</u></u>

See accompanying notes to basic financial statements.

TOWN OF WILMINGTON, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016**

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water	Sewer	Totals	Internal Service Fund
Operating Revenues				
Charges for services	\$ 4,195,151	\$ 2,703,626	\$ 6,898,777	\$ -
Employer contributions	-	-	-	3,815,728
Employee contributions	-	-	-	11,865,194
Other	503,999	195,336	699,335	-
Total Operating Revenues	<u>4,699,150</u>	<u>2,898,962</u>	<u>7,598,112</u>	<u>15,680,922</u>
Operating Expenses				
Operating costs	4,130,127	2,636,154	6,766,281	451,980
Benefit payments	-	-	-	13,905,871
Depreciation	729,262	363,237	1,092,499	-
Total Operating Expenses	<u>4,859,389</u>	<u>2,999,391</u>	<u>7,858,780</u>	<u>14,357,851</u>
Operating Income (Loss)	<u>(160,239)</u>	<u>(100,429)</u>	<u>(260,668)</u>	<u>1,323,071</u>
Nonoperating Revenues (Expenses)				
Developer contributions	75,000	-	75,000	-
Interest income	135	-	135	642
Betterment income	-	15,812	15,812	-
Interest expense	(46,920)	(34,828)	(81,748)	-
Total Nonoperating Revenues (Expenses), net	<u>28,215</u>	<u>(19,016)</u>	<u>9,199</u>	<u>642</u>
Income (loss) Before Transfers	<u>(132,024)</u>	<u>(119,445)</u>	<u>(251,469)</u>	<u>1,323,713</u>
Transfers out	<u>-</u>	<u>(203,869)</u>	<u>(203,869)</u>	<u>-</u>
Change in Net Position	<u>(132,024)</u>	<u>(323,314)</u>	<u>(455,338)</u>	<u>1,323,713</u>
Total Net Position - Beginning of the Year,	<u>12,982,530</u>	<u>7,560,828</u>	<u>20,543,358</u>	<u>3,350,897</u>
Total Net Position - End of the Year	<u>\$ 12,850,506</u>	<u>\$ 7,237,514</u>	<u>\$ 20,088,020</u>	<u>\$ 4,674,610</u>

See accompanying notes to basic financial statements.

32.6%

TOWN OF WILMINGTON, MASSACHUSETTS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water	Sewer	Totals	Internal Service Fund
Cash Flows from Operating Activities:				
Receipts from users	\$ 4,100,796	\$ 2,713,142	\$ 6,813,938	\$ 3,815,728
Employer contributions	-	-	-	11,865,194
Other departmental income	503,999	195,336	699,335	372,333
Payments to vendors	(1,849,508)	(2,552,334)	(4,401,842)	(14,885,932)
Payments to employees	(2,095,071)	(88,105)	(2,183,176)	-
Net Cash Provided by Operating Activities	660,216	268,039	928,255	1,167,323
Cash Flows from Noncapital Financing Activities:				
Transfers out	-	(203,869)	(203,869)	-
Net Cash (Used for) Noncapital Related Financing Activities	-	(203,869)	(203,869)	-
Cash Flows from Capital and Related Financing Activities:				
Developer contributions	75,000	-	75,000	-
Proceeds from betterments	-	35,659	35,659	-
Acquisition and construction of capital assets	(755,667)	-	(755,667)	-
Principal payments on bonds and notes	(80,000)	(65,000)	(145,000)	-
Interest expense	(46,920)	(34,828)	(81,748)	-
Net Cash (Used for) Capital and Related Financing Activities	(807,587)	(64,169)	(871,756)	-
Cash Flows from Investing Activities:				
Investment income	135	-	135	642
Net Cash Provided by Investing Activities	135	-	135	642
Net Change in Cash and Cash Equivalents	(147,236)	1	(147,235)	1,167,965
Cash and Cash Equivalents:				
Beginning of year	3,571,917	433,997	4,005,914	2,614,384
End of year	<u>\$ 3,424,681</u>	<u>\$ 433,998</u>	<u>\$ 3,858,679</u>	<u>\$ 3,782,349</u>
Reconciliation of Operating Income to Net Cash Provided (Used) for Operating Activities:				
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	\$ (160,239)	\$ (100,429)	\$ (260,668)	\$ 1,323,071
Depreciation	729,262	363,237	1,092,499	-
Changes in assets and liabilities:				
Receivables	(94,355)	9,516	(84,839)	372,333
Prepaid expense	-	-	-	(231,734)
Deferred outflows/inflows pensions	(204,033)	-	(204,033)	-
Accounts payable	(63,800)	(4,285)	(68,085)	-
Health claims payable	-	-	-	(296,347)
Compensated absences payable	5,127	-	5,127	-
Net pension liability	331,647	-	331,647	-
Other postemployment benefits payable	116,607	-	116,607	-
Net Cash Provided From Operating Activities	\$ 660,216	\$ 268,039	\$ 928,255	\$ 1,167,323

See accompanying notes to basic financial statements.

TOWN OF WILMINGTON, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ -	\$ 233,314	\$ 1,141,861
Investments	<u>1,663,587</u>	<u>396,489</u>	<u>-</u>
Total Assets	<u>1,663,587</u>	<u>629,803</u>	<u>1,141,861</u>
Liabilities			
Warrants and accounts payable	-	-	33,591
Contractor deposits	-	-	723,337
Student activities	-	-	210,173
Other liabilities	<u>-</u>	<u>-</u>	<u>174,760</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,141,861</u>
Net Position			
Held in trust for:			
Other postemployment benefits	1,663,587	-	-
Private purposes	<u>-</u>	<u>629,803</u>	<u>-</u>
Total Net Position	<u><u>\$ 1,663,587</u></u>	<u><u>\$ 629,803</u></u>	<u><u>\$ -</u></u>

See accompanying notes to basic financial statements.

TOWN OF WILMINGTON, MASSACHUSETTS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2016**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
	<u> </u>	<u> </u>
Additions		
Contributions and donations - employer	\$ 1,000,000	\$ -
Contributions and donations - others	-	12,155
Investment income (loss)	<u>58,133</u>	<u>24,372</u>
Total Additions	<u>1,058,133</u>	<u>36,527</u>
Deductions		
Scholarships and assistance	<u>-</u>	<u>25,525</u>
Total Deductions	<u>-</u>	<u>25,525</u>
Change in Net Position	1,058,133	11,002
Net Position - Beginning of the Year	<u>605,454</u>	<u>618,801</u>
Net Position - End of the Year	<u><u>\$ 1,663,587</u></u>	<u><u>\$ 629,803</u></u>

See accompanying notes to basic financial statements.

TOWN OF WILMINGTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town of Wilmington, Massachusetts have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town of Wilmington is located in Middlesex County, 16 miles north of Boston, and was incorporated as a town in 1730. The governing structure utilizes an open town meeting form, with an elected five-member Board of Selectmen, and an appointed Town Manager who performs and oversees the daily executive and administrative duties. The Town provides governmental services for the territory within its boundaries, including police and fire protection, disposal of rubbish and recycling, public education in grades K-12, water and sewer services, street maintenance, parks and recreational facilities, library, elderly services and inspectional services. The water and sewer services are funded almost entirely with water and sewer user charges. The sewer service is provided via connection to the Massachusetts Water Resources Authority. Water service is provided by local water supply and supplemented by the Massachusetts Water Resources Authority.

Discretely Presented Component Units – Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

Joint Venture – The Town has entered into a joint venture with the Town's of Bedford, Billerica, Burlington, and Tewksbury to pool resources and share the costs, risks and rewards of providing vocational education through the Shawsheen Valley Technical High School (SVTHS). As of June 30, 2016 the SVTHS does not have significant unassigned fund balance amounts or long-term bonds. The Town's assessment for 2016 was \$3,711,905. Stand-alone financial statements for the year ended June 30, 2016 are available at Shawsheen Valley Technical High School, 100 Cook Street, Billerica, Massachusetts 01821.

B. Government-Wide and Fund 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 non-fiduciary activities of the primary government. *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.

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

columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element (assets and deferred outflows, liabilities and deferred inflows, etc.) for all funds of that category or type and (total governmental or total enterprise funds), and
- 2) The total assets and deferred outflow of resources, liabilities and deferred inflow of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding elements for all governmental and enterprise funds combined.

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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*. For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. 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. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year and are material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

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.

Capital Projects Fund – is used to account for all financial resources relating to Town capital projects.

High School Construction Fund – is used to account for all financial resources relating to the design and construction of the high school.

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

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Project Funds – are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Permanent Funds – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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 the 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 are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, claims costs, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major business-type activities proprietary funds:

Water – is used to account for the operation of the water department. Costs associated with maintaining the related infrastructure and providing services to the public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

Sewer – is used to account for the operation of the sewer department. Costs associated with maintaining the related infrastructure and providing services to the public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

Additionally, the following governmental activities proprietary fund type is reported:

Internal Service Fund – is used to account for the Town’s self-insured health insurance related activities. Because these services primarily benefit governmental rather than business-type

activities, they have been included within *governmental activities* in the government-wide financial statements.

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

The government reports the following fiduciary funds:

Other Postemployment Benefits Trust Fund – is used to accumulate funds for future payments of other post-employment benefits for retirees such as health and life insurance.

Private-Purpose Trust Fund – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used for educational scholarships and support to veterans and the needy.

Agency Fund – is used to account for assets held in a purely custodial capacity. This fund is primarily used for developer escrow funds. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

Deposits and Investments – The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the statutory rate of 14% per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. Motor vehicle excise are billed annually for each vehicle registered in the Town based on vehicles reported to the Town by the Commonwealth of Massachusetts. Water and sewer user fees are billed periodically multiple times annually based on individual meter readings and are subject to interest and penalties of not paid by the respective due dates. Property taxes, motor vehicle excise taxes and water and sewer user fees are recorded as receivables in the fiscal year of the levy.

Real estate taxes, water and sewer user fees may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for doubtful accounts is not required. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for doubtful accounts which is determined as those outstanding amounts greater than five years old. Departmental and other receivables primarily consist of ambulance receivables and are shown net of allowance for uncollectible balances based on historical trends and specific account analysis.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles, and infrastructure (e.g. roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the propriety fund financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities, if material is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction and with expected lives of greater than two years. 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.

Capital assets (excluding land and construction-in-process) are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	40 years
Machinery and equipment	5-7 years
Vehicles	5 years
Infrastructure	40 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as *transfers, net*.

Investment Income – Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds is retained in the respective funds.

Compensated Absences – It is the Town’s policy to not permit employees to accumulate earned but unused vacation benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting the payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources- In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The Town only has two items that qualify for reporting in this category. First, is prepaid expenses reported in the government-wide statement of net position and proprietary funds balance sheet in the internal service fund as prepaid health claims. Secondly, is the changes in the net pension liability also reported in the government-wide statement of net position which will be recognized in pension expense in future years as more fully described in Note II, subsection A.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town only has two items that qualify for reporting in this category. Accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, tax titles, excise taxes, tax foreclosures and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Secondly, is the changes in the net pension liability also reported in the government-wide statement of net position which will be recognized in pension expense in future years as more fully described in Note II, subsection A.

Net Position – In the government-wide financial statements, net position reported as “Net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted for* the following:

Nonexpendable permanent funds represent amounts held in trust whereby expenditures are subject to various trust agreements.

Federal and State grants represent assets that have restrictions placed on them from federal and state granting agencies.

Health insurance claims represents monies that have been appropriated by the Town or withheld from employees for the sole purpose of funding health insurance costs under the Town’s self-insured employee health benefits program.

Debt service represents capital grants used to fund a portion of debt service on outstanding capital related debt of various Town functions.

Other purposes which primarily consists of:

Capital projects represent remaining balances from bond proceeds that are restricted by state law to specific capital purposes and borrowing terms.

Gifts and donations represent assets that are restricted by donors and other outside parties for specific governmental programs and uses.

Fund Equity –In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily to the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

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, which consists of the Town Meeting through Town Meeting votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting votes) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance resides with Town Meeting, Board of Selectmen or their designee.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed.

The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Funds – The Town maintains a general stabilization fund and a retirement stabilization fund; either of which may be used for any municipal purpose upon a two-thirds vote

of the Town Meeting. The balance of these funds total \$1,857,493 and \$755,663 respectively at June 30, 2016 and are reported as unassigned fund balance in the General Fund.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Accountant as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The Town reports \$1,351,686 of encumbrances from normal purchasing activity in the general fund in the amount of \$366,047 and \$985,639 as committed and assigned, respectively. There are no encumbrances reported in any other fund.

The following table reflects the Town's fund equity categorizations:

	General	Capital Projects	High School Construction	Nonmajor Governmental Funds	Total
Non-Spendable:					
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ 956,690	\$ 956,690
Restricted:					
General government	-	-	-	668,227	668,227
Public safety	-	-	-	298,131	298,131
Education	-	-	-	3,007,053	3,007,053
Public works	-	-	-	501,760	501,760
Health and human services	-	-	-	166,348	166,348
Culture and recreation	-	-	-	952,465	952,465
Debt service	2,257,439	-	-	71,378	2,328,817
Committed:					
General government	118,296	-	-	-	118,296
Public safety	53,952	589	-	-	54,541
Education	7,207	259,672	-	-	266,879
Public works	173,377	-	-	-	173,377
Culture and recreation	13,215	-	-	-	13,215
Assigned:					
General government	4,137,256	-	-	-	4,137,256
Public safety	22,784	-	-	-	22,784
Education	278,379	-	-	-	278,379
Public works	850	-	-	-	850
Health and human services	19,655	-	-	-	19,655
Culture and recreation	4,415	-	-	-	4,415
Pension and other fringes	15,000	-	-	-	15,000
Debt service	7,300	-	-	-	7,300
Unassigned	23,656,578	(1,481,550)	(85,851)	(25,264)	22,063,913
Totals	<u>\$ 30,765,703</u>	<u>\$ (1,221,289)</u>	<u>\$ (85,851)</u>	<u>\$ 6,596,788</u>	<u>\$ 36,055,351</u>

E. Excess of Expenditures Over Appropriations and Deficits

During the fiscal year ended, deficit balances exist in certain special revenue accounts classified as unassigned fund balance in the capital projects, high school construction and nonmajor governmental funds. These deficits are expected to be funded through future intergovernmental revenues and bond proceeds.

F. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool ("the Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, the carrying amount of the Town's deposits was \$51,847,072 and the bank balance was \$56,093,907. Of the Town's bank balance, \$47,984,408 was covered by either federal depository insurance or by the depositors' insurance fund; and the remainder was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or invested earnings. All securities not held directly by the Town will be held in the Town's name and tax identification number by a third party custodian and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. The investments in the Pool are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

In order to mitigate and diversify credit risk, the Town has established its own policies relative to the investment of municipal funds. The following security guidelines were approved by the Town for management of certain investments:

- Funds may be invested in securities convertible into equities or preferred stock provided that no more than 5% of the portfolio's total market value will be invested in such convertible securities.
- The equity portion of the portfolio should consist of high quality common stock of corporations defined as large capitalization or in high quality mutual funds comprised of such equity securities.
- Equity holdings in a single company should not exceed 3% of the market value of the portfolio.
- No funds may be invested in real estate, venture capital, private placements or letter stock.
- The Town's investment advisor shall not engage in margin transactions, short sales, or any other such specialized investment vehicles.

Fair Value of Investments – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar

investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the Town's best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the Town's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2016:

	6/30/16	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Mutual funds	\$ 73,838	\$ 73,838	\$ -	\$ -
Money market mutual funds	102,680	102,680	-	-
Debt securities:				
U.S. Government obligations	260,705	260,705	-	-
Corporate bonds	235,351	235,351	-	-
MMDT	50,567	-	50,567	-
PRIT	1,663,587	-	1,663,587	-
Negotiable certificates of deposit	337,448	-	337,448	-
Total debt securities	2,724,177	672,574	2,051,602	-
Equity securities:				
Common stock	493,877	493,877	-	-
Total equity securities	493,877	493,877	-	-
Total investments by fair value level	\$ 3,218,053	\$ 1,166,451	\$ 2,051,602	\$ -

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Money market mutual funds classified in Level 2 are valued at the published fair value per share (unit). The State Treasurer's investment pool (MMDT) is classified in Level 2 based on the composition and fair value of the underlying investments contained within this pool, which can be determined using inputs other than quoted prices that are observable either directly or indirectly.

Interest Rate Risk –The Town maintains formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All fixed income securities will have a maximum 30 years to maturity and the average maturity will be between 5 and 10 years.

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer.

Credit Risk – The Town has adopted a formal policy related to credit risk. Investments in corporate debt, non-tax exempt municipal debt and preferred issues must be rated Aa3 or higher as defined by Moody's Investor Service, or rate AA- or higher as defined by Standard & Poor's Rating Agency or Fitch Rating Agency.

As of June 30, 2016, the credit quality ratings of the Town's debt securities were as follows:

S&P Quality Ratings	Investment Type							
	U.S. Government Obligations	Corporate Bonds	Certificates of Deposit	Mutual Funds	PRIT Investment Pool	State Treas. Investment Pool	Money Market Mutual Funds	Fair Value
AAA	\$ 260,705	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 260,705
AA+	-	25,250	-	-	-	-	-	25,250
A	-	115,408	-	-	-	-	-	115,408
BBB+	-	50,137	-	-	-	-	-	50,137
BBB	-	44,556	-	-	-	-	-	44,556
Unrated	-	-	4,337,448	73,838	1,663,587	50,567	102,680	6,228,120
Totals	<u>\$ 260,705</u>	<u>\$ 235,351</u>	<u>\$ 4,337,448</u>	<u>\$ 73,838</u>	<u>\$ 1,663,587</u>	<u>\$ 50,567</u>	<u>\$ 102,680</u>	<u>\$ 6,724,176</u>

As of June 30, 2016, the Town had the following investments:

Investments	Fair Value	Maturity in Years		
		<1	1 - 5	6 - 10
<u>Investments:</u>				
U.S. Government obligations	\$ 260,705	\$ -	\$ 260,705	\$ -
Corporate fixed income securities	235,351	125,405	109,946	-
Certificates of deposit	4,337,448	4,085,031	252,417	-
Mutual funds	73,838	-	73,838	-
PRIT investment pool	1,663,587	-	-	1,663,587
State Treasurer's investment pool	50,567	50,567	-	-
Money market mutual funds	102,680	102,680	-	-
Total investments with maturities	\$ 6,724,176	<u>\$ 4,363,683</u>	<u>\$ 696,906</u>	<u>\$ 1,663,587</u>
<u>Other investments:</u>				
Equities	<u>493,877</u>			
Total Investments	\$ 7,218,053			

B. Receivables

Receivables as of year-end for the Town's major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 1,120,748	\$ (172,612)	\$ 948,136
Tax liens	1,593,282	-	1,593,282
Motor vehicle excise	852,464	(224,638)	627,826
Ambulance	1,650,181	(1,335,110)	315,071
Betterments	143,280	-	143,280
Intergovernmental	1,439,865	-	1,439,865
Tax foreclosures	665,817	-	665,817
Total	<u>\$ 7,465,637</u>	<u>\$ (1,732,360)</u>	<u>\$ 5,733,277</u>

Intergovernmental Receivables – The Town annually receives a significant amount of operating and capital funding from federal and state agencies relative to aid, grants, reimbursements, and subsidies. Some of these funds may be earned or awarded as entitlements but not received at year end and therefore have been recognized as receivables.

School Building Assistance Reimbursement – As of June 30, 2016, the Town expects to receive as the balance of a grant from the Commonwealth of Massachusetts under School Construction reimbursement regulations, \$1,004,460 applicable to the new high school construction project. Such costs are reimbursed to the Town within 30 days of being incurred and requested at the reimbursement rate of 55.19%.

MCWT Loan Subsidies – The Town has entered into Title 5 loan agreements with the MCWT. It is expected that the Town will be subsidized by MCWT on a periodic basis for interest costs of \$10,931 until the maturity of these agreements. In the governmental funds, this subsidy will be recorded and recognized in the year in which the subsidy is received.

Receivables as of year-end for the Town's proprietary funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water user charge	\$ 1,506,162	\$ -	\$ 1,506,162
Sewer user charge	797,271	-	797,271
Sewer betterments	176,806	-	176,806
Internal Service stop loss reimbursements	86,276	-	86,276
Total	<u>\$ 2,566,515</u>	<u>\$ -</u>	<u>\$ 2,566,515</u>

Unapportioned Betterments – The Town reflects noncurrent asset receivables of \$176,806 in its Sewer Enterprise Fund that is mostly comprised of amounts anticipated to be billed in the future for sewer betterments.

Unearned Revenue – Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

	General Fund	Other Governmental Funds	Total
Receivable type:			
Real estate and personal property taxes	\$ 948,136	\$ -	\$ 948,136
Tax liens	1,593,282	-	1,593,282
Motor vehicle excise	627,826	-	627,826
Ambulance	315,071	-	315,071
Betterments	-	143,280	143,280
Tax foreclosures	665,817	-	665,817
Total	<u>\$ 4,150,132</u>	<u>\$ 143,280</u>	<u>\$ 4,293,412</u>

C. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2016, are summarized as follows:

	Transfers In	
	General Fund	Total
Transfers Out		
Nonmajor Governmental Funds	\$ 40,000	\$ 40,000 (1)
Sewer Fund	203,869	203,869 (2)
Total	<u>\$ 243,869</u>	<u>\$ 243,869</u>

(1) Transfers to General Fund to supplement operating budgets.

(2) Transfer operating surplus to General Fund.

D. Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 8,508,559	\$ -	\$ -	\$ 8,508,559
Construction in process	76,065,286	913,979	(75,920,376)	1,058,889
Total capital assets not being depreciated	84,573,845	913,979	(75,920,376)	9,567,448
Capital assets being depreciated:				
Buildings and improvements	53,592,076	80,764,303	-	134,356,379
Infrastructure	7,437,906	1,034,696	-	8,472,602
Machinery and equipment	3,763,446	193,668	-	3,957,114
Vehicles	8,365,101	570,915	-	8,936,016
Total capital assets being depreciated	73,158,529	82,563,582	-	155,722,111
Less accumulated depreciation for:				
Buildings and improvements	(25,321,643)	(2,959,784)	-	(28,281,427)
Infrastructure	(1,243,093)	(206,601)	-	(1,449,694)
Machinery and equipment	(2,332,262)	(308,351)	-	(2,640,613)
Vehicles	(5,798,284)	(797,441)	-	(6,595,725)
Total accumulated depreciation	(34,695,282)	(4,272,177)	-	(38,967,459)
Total capital assets being depreciated, net	38,463,247	78,291,405	-	116,754,652
Governmental activities capital assets, net	<u>\$ 123,037,092</u>	<u>\$ 79,205,384</u>	<u>\$ (75,920,376)</u>	<u>\$ 126,322,100</u>

For the year ended June 30, 2016, depreciation expense was charged to the governmental activities functions/programs as follows:

Governmental Activities:

General government	\$ 27,686
Public safety	796,486
Education	2,883,442
Public works	532,987
Health and human services	11,590
Culture and recreation	19,986
Total Governmental Activities	<u>\$ 4,272,177</u>

Capital asset activity for the business-type activities for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Business-Type Activities - Water:</i></u>				
Capital assets not being depreciated:				
Land	\$ 1,854,000	\$ -	\$ -	\$ 1,854,000
Total capital assets not being depreciated	1,854,000	-	-	1,854,000
Capital assets being depreciated:				
Buildings and improvements	9,656,529	-	-	9,656,529
Infrastructure	15,405,621	506,728	-	15,912,349
Machinery and equipment	221,775	112,500	-	334,275
Vehicles	886,344	136,439	-	1,022,783
Total capital assets being depreciated	26,170,269	755,667	-	26,925,936
Less accumulated depreciation for:				
Buildings and improvements	(6,828,926)	(245,489)	-	(7,074,415)
Infrastructure	(4,620,600)	(364,940)	-	(4,985,540)
Machinery and equipment	(176,213)	(26,246)	-	(202,459)
Vehicles	(620,222)	(92,587)	-	(712,809)
Total accumulated depreciation	(12,245,961)	(729,262)	-	(12,975,223)
Total capital assets being depreciated, net	13,924,308	26,405	-	13,950,713
Water activities capital assets, net	<u>\$ 15,778,308</u>	<u>\$ 26,405</u>	<u>\$ -</u>	<u>\$ 15,804,713</u>
<u><i>Business-Type Activities - Sewer:</i></u>				
Capital assets being depreciated:				
Infrastructure	\$ 17,080,854	\$ -	\$ -	\$ 17,080,854
Total capital assets being depreciated	17,080,854	-	-	17,080,854
Less accumulated depreciation for:				
Infrastructure	(9,961,620)	(363,237)	-	(10,324,857)
Total accumulated depreciation	(9,961,620)	(363,237)	-	(10,324,857)
Total capital assets being depreciated, net	7,119,234	(363,237)	-	6,755,997
Sewer activities capital assets, net	<u>\$ 7,119,234</u>	<u>\$ (363,237)</u>	<u>\$ -</u>	<u>\$ 6,755,997</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Business-Type Activities - All:</i></u>				
Capital assets not being depreciated	\$ 1,854,000	\$ -	\$ -	\$ 1,854,000
Capital assets net of depreciation	21,043,542	(336,832)	-	20,706,710
Business-type activities capital assets, net	<u>\$ 22,897,542</u>	<u>\$ (336,832)</u>	<u>\$ -</u>	<u>\$ 22,560,710</u>

For the year ended June 30, 2016, depreciation expense was charged to the business-type activities functions/programs as follows:

Business-type Activities:

Water	\$ 729,262
Sewer	363,237
Total Business-type Activities	<u>\$ 1,092,499</u>

E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue (RANs) or tax anticipation notes (TANs).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANs) or grant anticipation notes (GANs). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary debt are accounted for in the general fund and enterprise funds, respectively. During the fiscal year, there were no short-term notes issued or outstanding.

F. Long-Term Obligations

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for various governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

The following is a current year activity in the long-term liability accounts:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Governmental Activities:					
Bond and note debt	\$ 40,065,679	\$ -	\$ (1,964,979)	\$ 38,100,700	\$ 1,959,979
Unamortized bond premium	2,365,503	-	(107,523)	2,257,980	107,523
Compensated absences, net	2,718,757	866,709	(679,689)	2,905,777	726,444
Net pension liability	64,771,255	10,122,185	(5,849,593)	69,043,847	-
Other postemployment benefits	50,771,553	10,503,744	(4,105,874)	57,169,423	-
Total Governmental Activities	<u>\$ 160,692,747</u>	<u>\$ 21,492,638</u>	<u>\$ (12,707,658)</u>	<u>\$ 169,477,727</u>	<u>\$ 2,793,946</u>
Business-type Activities: Water					
Bond and note debt	\$ 1,280,000	\$ -	\$ (80,000)	\$ 1,200,000	\$ 80,000
Compensated absences, net	131,461	37,991	(32,865)	136,587	34,147
Net pension liability	5,027,670	785,704	(454,057)	5,359,317	-
Other postemployment benefits	1,236,301	147,096	(30,489)	1,352,908	-
Total Business-type Activities: Water	<u>7,675,432</u>	<u>970,791</u>	<u>(597,411)</u>	<u>8,048,812</u>	<u>114,147</u>
Business-type Activities: Sewer					
Bond and note debt	990,000	-	(65,000)	925,000	65,000
Total Business-type Activities: Sewer	<u>990,000</u>	<u>-</u>	<u>(65,000)</u>	<u>925,000</u>	<u>65,000</u>
Total Business-type Activities: All	<u>\$ 8,665,432</u>	<u>\$ 970,791</u>	<u>\$ (662,411)</u>	<u>\$ 8,973,812</u>	<u>\$ 179,147</u>
Total Long-term Obligations	<u>\$ 169,358,179</u>	<u>\$ 22,463,429</u>	<u>\$ (13,370,069)</u>	<u>\$ 178,451,539</u>	<u>\$ 2,973,093</u>

The governmental activities will be liquidated by the general fund. The business-type liabilities will be liquidated by the business-type fund reporting the liabilities.

The following is a summary of outstanding long-term debt obligations as of June 30, 2016:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<u>Governmental Activities:</u>					
General obligation bonds	2.00 - 4.50%	\$ 39,860,000	\$ -	\$ (1,945,000)	\$ 37,915,000
MA Water Resources Authority notes	0.00%	205,679	-	(19,979)	185,700
Total Governmental Activities		<u>\$ 40,065,679</u>	<u>\$ -</u>	<u>\$ (1,964,979)</u>	<u>\$ 38,100,700</u>
<u>Business-type Activities - Water</u>					
General obligation bond	2.00 - 4.50%	\$ 1,280,000	\$ -	\$ (80,000)	\$ 1,200,000
Total Water		<u>1,280,000</u>	<u>-</u>	<u>(80,000)</u>	<u>1,200,000</u>
<u>Business-type Activities - Sewer</u>					
General obligation bond	2.00 - 5.25%	990,000	-	(65,000)	925,000
Total Sewer		<u>990,000</u>	<u>-</u>	<u>(65,000)</u>	<u>925,000</u>
Total Business-type Activities		<u>\$ 2,270,000</u>	<u>\$ -</u>	<u>\$ (145,000)</u>	<u>\$ 2,125,000</u>
Total Bond and Note Debt					<u>\$ 40,225,700</u>

There was no authorized and unissued debt as of June 30, 2016.

Future Debt Payoff – Payments on general long-term debt obligation bonds and notes due in future years consists of the following:

Year Ending June 30,	Governmental Activities				
	Principal	Interest			Total
	Gross	Gross	Subsidized	Net	
2017	\$ 1,959,979	\$ 1,535,374	\$ (3,036)	\$ 1,532,338	\$ 3,492,317
2018	1,959,979	1,456,449	(2,537)	1,453,912	3,413,891
2019	1,954,979	1,360,188	(2,038)	1,358,150	3,313,129
2020	1,950,228	1,264,583	(1,533)	1,263,050	3,213,278
2021	1,950,227	1,169,222	(1,787)	1,167,435	3,117,662
2022-2026	8,890,308	4,625,065	-	4,625,065	13,515,373
2027-2031	8,845,000	3,009,325	-	3,009,325	11,854,325
2032-2036	8,825,000	1,403,175	-	1,403,175	10,228,175
2037-2041	1,765,000	70,600	-	70,600	1,835,600
Total	<u>\$ 38,100,700</u>	<u>\$ 15,893,981</u>	<u>\$ (10,931)</u>	<u>\$ 15,883,050</u>	<u>\$ 53,983,750</u>

Year Ending June 30,	Business-Type Activities: Water				
	Principal	Interest			Total
	Gross	Gross	Subsidized	Net	
2017	\$ 80,000	\$ 41,720	\$ -	\$ 41,720	\$ 121,720
2018	80,000	38,120	-	38,120	118,120
2019	80,000	34,720	-	34,720	114,720
2020	80,000	31,520	-	31,520	111,520
2021	80,000	28,320	-	28,320	108,320
2022-2026	400,000	104,070	-	104,070	504,070
2027-2031	400,000	37,690	-	37,690	437,690
Total	<u>\$ 1,200,000</u>	<u>\$ 316,160</u>	<u>\$ -</u>	<u>\$ 316,160</u>	<u>\$ 1,516,160</u>

Year Ending June 30,	Business-Type Activities: Sewer				
	Principal	Interest			Total
	Gross	Gross	Subsidized	Net	
2017	\$ 65,000	\$ 32,228	\$ -	\$ 32,228	\$ 97,228
2018	65,000	29,302	-	29,302	94,302
2019	65,000	26,540	-	26,540	91,540
2020	65,000	23,940	-	23,940	88,940
2021	65,000	21,340	-	21,340	86,340
2022-2026	300,000	78,052	-	78,052	378,052
2027-2031	300,000	28,268	-	28,268	328,268
Total	<u>\$ 925,000</u>	<u>\$ 239,670</u>	<u>\$ -</u>	<u>\$ 239,670</u>	<u>\$ 1,164,670</u>

III. Other Information

A. Retirement System

System Description – The Town contributes to the Middlesex Retirement System (the “System”), a multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (“MGL”) and is administered by Middlesex Retirement Board (the “Board”).

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System. Standalone audited financial statements for the year ended December 31, 2015 were issued and may be obtained by writing to the Middlesex Retirement System, 25 Linnell Circle, Billerica, MA 01865.

Benefit Terms – Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the school department participate in a separate pension plan administered by the Massachusetts Teachers’ Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to retirement system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the System include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years’ creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the System.

Contributions Requirements – The Town has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$5,342,251 to the System in fiscal year 2016, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 25.3% in fiscal year 2016.

Net Pension Liability – At June 30, 2016, the Town reported a liability of \$74,403,164 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2015. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System's benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all employers. The Town's proportion was approximately 5.77% at December 31, 2015, which was consistent with the proportion measured at January 1, 2014.

Pension Expense – The Town recognized \$7,113,895 in pension expense in the statement of activities in fiscal year 2016.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollar amounts are in thousands):

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Town's pension expense as follows (dollar amounts are in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 3,793,988	\$ -
Changes in proportion and difference between Town contributions and proportionate share of contributions	-	725,683
	<u>\$ 3,793,988</u>	<u>\$ 725,683</u>

Year ended June 30,	
2017	\$ 781,500
2018	781,500
2019	781,500
2020	<u>723,805</u>
Total	<u>\$3,068,305</u>

Actuarial Valuation – The measurement of the Retirement System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2014. The significant actuarial assumptions used in the January 1, 2014 actuarial valuation included:

Actuarial cost method:	Entry age normal cost method
Amortization method:	Prior year’s total contribution increased by 6.5% for fiscal 2014 through fiscal 2020, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments
Remaining amortization period:	As of July 1, 2012, 7 years remaining for 2002 ERI liability, 8 years remaining for 2003 ERI liability, 10years remaining for 2010 ERI liability, and 23 years for remaining unfunded liability
Asset valuation method:	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period. Asset value is adjusted as necessary to be within 20% of the market value.
Investment rate of return:	7.875%
Projected salary increases:	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2, and 4.75% for Group 3
Cost of living adjustments:	3% on the first \$14,000 of retirement income
Mortality rates:	Pre-retirement rates reflect the RP-2000 Employees table projected 22 years with Scale AA (gender distinct). Post-retirement rates reflect the RP-2000 Healthy Annuitant table projected 17 years with Scale AA (gender distinct).
Disabled life mortality:	RP-2000 Healthy Annuitant Mortality Table set forward 3 years projected 17 years with Scale AA

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	19.60%	6.60%
International developed markets equity	15.60%	7.10%
International emerging markets equity	6.50%	9.40%
Core fixed income	15.30%	2.20%
High-yield fixed income	8.30%	4.70%
Real estate	9.90%	4.40%
Commodities	3.90%	4.40%
Short-term government money market	0.00%	1.80%
Hedge fund, GTAA, Risk parity	9.80%	3.90%
Private equity	<u>11.10%</u>	11.70%
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2014 actuarial valuation report was 7.875%, which was a reduction from the previous discount rate of 8.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.875% as well as the Town's proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.875%) or one percentage point higher (8.875%) than the current rate:

	1% Decrease	Current	1% Increase
	(6.875%)	(7.875%)	(8.875%)
Town's proportionate share of the net pension liability	\$ 89,344,161	\$ 74,403,164	\$ 61,679,858

B. Massachusetts Teachers' Retirement System

Teachers and certain administrative employees of the Town's school department participate in the Massachusetts Teachers' Retirement System ("MTRS"), a cost-sharing multiple employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the Retirement System, MTRS was established under Chapter 32 of Massachusetts General Laws. The Commonwealth's legislature has the authority to amend or modify the MTRS's funding policies.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the

MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

For the year ended June 30, 2016, the Commonwealth contributed \$3,866,996 to the MTRS on behalf of the Town. The Town's proportionate share of the collective MTRS net pension liability at this reporting date was 0.378401%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The table below presents the Town's proportionate share of the following:

	Commonwealth Portion	Paid (or assumed) On Behalf of the Town	Town Portion
Net pension liability	\$ 77,533,058	\$ (77,533,058)	\$ —
Pension expense	6,288,621	(6,288,621)	—

The Town has recognized intergovernmental revenue and pension expense of \$6,288,621 associated with this arrangement.

C. Risk Financing

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

The Town has established a self-insurance program for unemployment claims which are paid to employees by the Commonwealth of Massachusetts, for which the Town is billed on a monthly basis. The incurred but not recorded unemployment liability is not material to the financial statements.

Group Health Insurance Plan – The Town maintains a "reinsured cost reimbursement program" which covers the group health insurance requirements of a majority of Town employees and is administered by a third party. The Plan is essentially a self-insurance program and employee claims in excess of \$60,000 are reinsured by the Plan. Costs of the Plan are reimbursed 75% by the Town and 25% by the employee. The Town accrues an amount representing claims incurred but not reported (IBNR), which is based on a specific analysis of medical bills processed by the administrator subsequent to year-end. At June 30, 2016, the amount of the liability for health insurance claims totaled \$610,010. This liability is the best estimate based on available information. In the fund-wide financial statements, the Town reports the activities of the Group Insurance Health Plan in the Internal Service Fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Changes in the reported liability since July 1, 2013, are as follows:

	<u>Balance at Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>	<u>Current Portion</u>
Fiscal Year 2016	\$ 906,357	\$ 12,389,504	\$(13,905,871)	\$ 610,010	\$ 610,010
Fiscal Year 2015	496,465	13,612,117	(13,202,225)	906,357	906,357
Fiscal Year 2014	853,586	12,618,391	(12,975,512)	496,465	496,465

D. Other Post-Employment Benefits (OPEB)

Plan Description – In addition to the pension benefits previously described, the Town provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the “Plan”) in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and Town ordinance. All benefits are provided through the Town’s insurance program. The Plan does not issue a stand – alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The number of participants in the Plan consists of 828 active employees and 560 retired employees for a total of 1,388.

Funding Policy - The contribution requirements of Plan members and the Town are established through collective bargaining agreements and may be amended by the Town. Retirees contribute 25% of the calculated contributions and the remainder of the cost is funded by the Town. The Retirees contribute \$1.30 per month towards life insurance, the Town contributes \$3.90. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town’s annual OPEB cost is calculated based on the annual required contribution “ARC” of the employer, an actuarially determined amount that is calculated in accordance with GASB Statement No.45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty years.

The following table reflects the activity regarding the Town’s OPEB obligation:

Annual required contribution (ARC)	\$ 9,476,701
Interest on net OPEB obligation	2,080,314
Adjustment to ARC	(2,891,942)
Amortization of Actuarial (Gains) / Losses	<u>1,985,767</u>
Annual OPEB cost	10,650,840
Contributions made	<u>(4,136,363)</u>
Increase in net OPEB obligation	6,514,477
Net OPEB obligation at beginning of year	<u>52,007,854</u>
Net OPEB obligation at end of year	<u><u>\$ 58,522,331</u></u>

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2016	\$10,650,840*	38.8%	\$ 58,522,331
June 30, 2015	\$ 9,899,239	36.6%	\$ 52,007,854
June 30, 2014	\$10,661,969	38.1%	\$ 45,728,820

* The AOPEBC at June 30, 2016 was charged to the following functional programs:

General Government \$2,177,433; Public Safety \$1,575,886; Education \$5,635,872; Public Works \$865,871; Health and Human Services \$104,040 and Culture and Recreation \$144,642. In the Business-Type Funds, Water activities were charged \$147,096.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2016 for the most recent actuarial valuation performed as of January 1, 2015, was as follows:

Actuarial accrued liability (AAL)	\$ 119,436,842
Actuarial value of plan assets	\$ 1,663,587
Unfunded actuarial accrued liability (UAAL)	\$ 117,773,255
Funded ratio (actuarial value of plan assets / AAL)	1.39%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 42,363,738
UAAL as a percentage of covered payroll	278.00%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations.

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

The significant methods and assumptions as of the latest valuation are as follows:

Valuation date	January 1, 2015
Actuarial cost method	Entry Age Normal
Amortization method	30 year closed
Remaining amortization period	24 years
Interest discount rate	4.0%
Healthcare/Medical cost trend rate	5.0% in fiscal year 2015 and every year thereafter

E. Commitments and Contingencies

Town of Wilmington v. Olin Chemical Corporation. In February 2003, the Town discovered the presence of a possible carcinogen in its drinking water supply. It is believed that the source derives from property owned by Olin Chemical Corporation. Five out of nine municipal wells remain closed and environmental investigations are underway. *Financial implications could be material*; but have not yet been determined. No formal claims have been made against the Town, nor by the Town against Olin, but the parties have signed a “tolling” agreement suspending the running of time for the Town to file claims against Olin and other potentially responsible parties. The Town’s attorneys are not yet able to reach any judgment, inherently uncertain, as to the likely outcome.

During 2007, the Town received a capital grant from Olin Chemical in the amount of \$4,148,224 as part of an agreement to connect portions of the Town to the MWRA. The amount has been deposited in a separate bank account and is to be used exclusively for design, engineering and construction related to the water connection. Interest earned on these funds will revert back to Olin Chemical at the conclusion of construction.

General The Town is party to certain other legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2016, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2016.

Grant Compliance Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, 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.

Arbitrage The Town is subject to Federal arbitrage laws regarding its long-term borrowing agreements. Failure to comply with the rules could result in penalties. The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Appellate Tax Board – The Town has pending cases filed with the Massachusetts Appellate Tax Board in which commercial entities have challenged their assessed valuations of personal property. In addition other real property cases final outcomes could be material to the overall financial statements. The Town has recorded a loss provision of \$499,638 in the financial statements and believes this will adequately cover any losses resulting from unfavorable outcomes of these claims.

F. Implementation of New GASB Pronouncements

Current Year Implementation

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 addressed accounting and financial reporting issues relating to fair value measurements by providing guidance for determining a fair value measurement for financial reporting purposes. The provisions of this Statement became effective for the Town in fiscal year 2016 and did not have a material effect on its financial statements.

In June 2015, the GASB issued GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68* and

Amendments to Certain Provision of GASB Statement No. 67 and No. 68. The objective of GASB 73 was to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement established requirements for defined benefit pensions that are not within the scope of Statement 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it established requirements for defined contribution pensions that are not within the scope of Statement 68. The provisions of this Statement were effective for financial reporting periods beginning after June 15, 2015 (fiscal year 2016) – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016 (fiscal year 2017). The provisions of this Statement became effective for the Town in fiscal year 2016 and did not have a material effect on its financial statements.

In June 2015, the GASB issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of GASB 76 was to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted principles, or GAAP. This Statement reduced the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions of this Statement became effective in fiscal year 2016 and did not have a material effect on the Town's financial statements.

In December 2015, the GASB issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB 79 established criteria for which an external investment pool may qualify to measure its investment value at amortized cost versus fair value. The provisions of this Statement became effective in fiscal year 2016 and did not have a material effect on the Town's financial statements.

Future Year Implementation

In June 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. GASB 74's objective is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. GASB 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017 (fiscal year 2018). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In August 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. GASB 77 requires the disclosure of the terms of certain tax abatement agreements entered into by a government with individuals or entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017), although early adoption is encouraged. The Town is currently evaluating whether adoption will have a material impact on the

financial statements.

In December 2015, the GASB issued GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The provisions of GASB 78 are applicable to certain government pension plans that (i) are not administered as a trust by a state or local governmental pension plan, (ii) are shared between governmental and nongovernmental employees, and (iii) have not predominant state or local governmental employer. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017), although early adoption is encouraged. This Statement is not expected to have a material effect on the Town's financial statements.

In January 2016, the GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The provisions of GASB 80 apply to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. Such component units should be included in the reporting entity financial statements using the blending method. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017), although early adoption is encouraged. The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2016 (fiscal year 2018) and should be applied retroactively. The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2016, the GASB issued GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of GASB 82 was to address issues raised with respect to previously issued statements related to pensions. Specifically, the Statement addressed issues regarding (i) the presentation of payroll-related measures in required supplementary information, (ii) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting and (iii) the classification of payments made by employers to satisfy employee (plan member) contributions requirements. The requirements for this Statement are effective for reporting periods beginning after June 15, 2016 (fiscal year 2017), except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017; earlier application is encouraged. The Town is currently evaluating whether adoption will have a material impact on the financial statements.

TOWN OF WILMINGTON, MASSACHUSETTS**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**
YEAR ENDED JUNE 30, 2016

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY*(dollar amounts are in thousands)*

	<u>Year Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset)	5.767602%	5.810207%
Town's proportionate share of the net pension liability (asset)	\$ 74,403	\$ 69,799
Town's covered-employee payroll	\$ 21,103	\$ 20,291
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	352.57%	343.99%
Plan fiduciary net position as a percentage of the total pension liability	46.13%	47.65%

SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN*(dollar amounts are in thousands)*

	<u>Year Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 5,342	\$ 4,953
Contributions in relation to the actuarially determined contribution	<u>5,342</u>	<u>4,953</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 21,103	\$ 20,291
Contributions as a percentage of covered-employee payroll	25.31%	24.41%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF WILMINGTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS

YEAR ENDED JUNE 30, 2016

**SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY
MASSACHUSETTS' TEACHER'S RETIREMENT SYSTEM**

(dollar amounts are in thousands)

	Year Ended December 31,	
	2015	2014
Commonwealth's proportion of the collective net pension liability (asset)	100.0%	100.0%
Town's proportion of the collective net pension liability (asset)	0.0%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 20,489,643	\$ 15,896,354
Commonwealth's actuarially determined contribution	\$ 1,021,930	\$ 937,379

Contributions to MTRS are the responsibility of the Commonwealth of Massachusetts.

This schedule is presented to illustrate the requirement to show information for ten years.
However, until a full ten-year trend is compiled, information is presented for those years
in which information is available.

See accompanying independent auditors' report.

TOWN OF WILMINGTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2016**

SCHEDULES OF FUNDING PROGRESS

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2015	\$ 1,663,587	\$ 119,436,842	\$ 117,773,255	1.39%	\$ 42,363,738	278.0%
1/1/2013	-	133,066,325	133,066,325	0.00%	43,500,000	305.9%
1/1/2011	-	136,607,451	136,607,451	0.00%	43,484,000	314.2%
1/1/2009	-	103,081,828	103,081,828	0.00%	35,789,000	288.0%

SCHEDULES OF CONTRIBUTION FUNDING

Other Postemployment Benefits

Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2016	\$ 9,476,701	\$ 4,136,363	43.6%
2015	9,899,239	3,620,205	36.6%
2014	10,661,969	4,057,602	38.1%
2013	10,209,260	3,794,111	37.2%
2012	13,995,963	3,851,033	27.5%
2011	13,072,897	3,454,621	26.4%
2010	9,826,526	3,243,891	33.0%

See accompanying independent auditor's report.

TOWN OF WILMINGTON, MASSACHUSETTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary		Budgetary	Positive
	Budget	Budget	Amounts	Encumbrances	Adjusted	(Negative)
Revenues:						
Property taxes	\$ 72,665,349	\$ 72,665,349	\$ 74,274,783	\$ -	\$ 74,274,783	\$ 1,609,434
Intergovernmental	13,669,197	13,669,197	13,997,807	-	13,997,807	328,610
Motor vehicle and other excise	3,913,121	3,913,121	4,561,024	-	4,561,024	647,903
Departmental and other revenue	3,197,000	3,197,000	4,766,266	-	4,766,266	1,569,266
Licenses and permits	600,000	600,000	915,115	-	915,115	315,115
Penalties and interest on taxes	400,000	400,000	720,646	-	720,646	320,646
Fines and forfeitures	99,000	99,000	85,379	-	85,379	(13,621)
Investment income	150,000	150,000	239,406	-	239,406	89,406
Total Revenues	94,693,667	94,693,667	99,560,426	-	99,560,426	4,866,759
Expenditures:						
General government	10,172,566	10,183,769	8,459,589	755,552	9,215,141	968,628
Public safety	9,714,795	10,028,318	9,725,653	76,736	9,802,389	225,929
Education	41,499,223	41,499,223	41,052,171	285,586	41,337,757	161,466
Public works	9,801,551	9,977,108	9,157,441	174,227	9,331,668	645,440
Health and human services	992,420	1,002,822	947,374	19,655	967,029	35,793
Culture and recreation	1,382,884	1,390,663	1,365,997	17,630	1,383,627	7,036
Pension and fringe benefits	19,436,039	18,917,575	17,935,130	15,000	17,950,130	967,445
State and county tax assessments	830,854	830,854	869,891	-	869,891	(39,037)
Debt service	3,804,773	3,804,773	3,795,273	7,300	3,802,573	2,200
Total Expenditures	97,635,105	97,635,105	93,308,519	\$ 1,351,686	94,660,205	2,974,900
Other Financing Sources (Uses):						
Transfers in	1,426,648	1,426,648	1,426,648		1,426,648	-
Transfers out	(3,000,000)	(3,000,000)	(3,000,000)		(3,000,000)	-
Total Other Financing Sources (Uses)	(1,573,352)	(1,573,352)	(1,573,352)		(1,573,352)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	(4,514,790)	(4,514,790)	\$ 4,678,555		\$ 3,326,869	\$ 7,841,659
Other Budgetary Items:						
Prior year encumbrances	1,089,500	1,089,500				
Available surplus	3,458,000	3,458,000				
Other	(32,710)	(32,710)				
Total Other Budgetary Items	4,514,790	4,514,790				
Net Budget	\$ -	\$ -				

See notes to the required supplementary information of this schedule.

See accompanying independent auditors' report.

TOWN OF WILMINGTON, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2016

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Board of Selectmen and approved by the Town Meeting members at the Town’s annual meeting. Expenditures may not legally exceed appropriations at the department level. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within their Department or budget. The Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unreserved fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2016, the Town did not make any material supplemental budgetary appropriations during the year. The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis other than GAAP. The difference between the budgetary basis of accounting and GAAP is presented in the table below:

	Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 99,560,426
MTRS on-behalf payments	\$ 6,288,621	\$ -	6,288,621
Stabilization interest	-	13,818	13,818
Allocation of ambulance management fees	613,024	-	613,024
Sewer revenues reported in sewer fund	-	(2,939,851)	(2,939,851)
Revenues on a GAAP basis	<u>\$ 6,901,645</u>	<u>\$ (2,926,033)</u>	<u>\$103,536,038</u>
Expenditures on a budgetary basis			\$ 93,308,519
Water enterprise indirect cost reclasses	\$ -	\$ (1,386,648)	(1,386,648)
Sewer expenditures reported in sewer fund	-	(2,735,982)	(2,735,982)
MTRS on-behalf payments	6,288,621	-	6,288,621
Allocation of ambulance management fees	613,024	-	613,024
Other postemployment benefits trust contributions	-	1,000,000	1,000,000
Expenditures on a GAAP basis	<u>\$ 6,901,645</u>	<u>\$ (3,122,630)</u>	<u>\$ 97,087,534</u>
Net transfers on a budgetary basis			\$ (1,573,352)
Water enterprise indirect cost reclasses	\$ -	\$ (1,386,648)	(1,386,648)
Sewer transfers of net activity to the sewer fund	-	203,869	203,869
Proceeds from sale of assets	32,132	-	32,132
Stabilization funds contributions	-	2,000,000	2,000,000
Other postemployment benefits trust contributions	-	1,000,000	1,000,000
Net transfers on a GAAP basis	<u>\$ -</u>	<u>\$ 1,817,221</u>	<u>\$ 276,001</u>