

TOWN OF WILMINGTON, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2017 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 management's discussion and analysis, the schedules of the Town's proportionate share of net pension liability and 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 progress and contribution funding for other postemployment benefits, the schedules of changes in net other postemployment liability, ratios and contributions, schedule of investment returns for other postemployment benefit plans 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 27, 2018, 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 27, 2018

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, 2017. 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 over \$26.2 million (*total net position*). Almost \$6.2 million represented net position of governmental activities and over \$20.1 million represented net position of the business-type activities.
- The government's total net position increased over \$1.4 million. This was due to an increase resulting from operations of over \$6.0 million due to effective cost controls and revenues that continue to exceed forecast in an expanding economy. This was offset by current year non-cash provisions for other postemployment and pension benefits that are not budgeted for.
- The Town's Unassigned Fund Balance reported in the General Fund grew by approximately \$8.0 million to over \$31.6 million (or 30.8% of General Fund expenditures). Total Fund Balance in the General Fund increased approximately \$5.6 million to over \$36.3 million (or 35.4% of General Fund expenditures). The Town reported a Restricted Fund Balance of approximately \$6.5 million in aggregate in the Capital Projects 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 \$2.0 million during the fiscal year due to regularly scheduled pay downs of principal, offset by \$0.1 million of bond issued in the Sewer Enterprise Fund.

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, and OPEB related information as included in the table of contents. In addition, the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund is also included as required supplementary information.

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 over \$26.2 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, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 |
| <u>Assets</u> | | | | | | |
| Current and other assets | \$ 56,527,800 | \$ 53,437,501 | \$ 7,154,964 | \$ 6,338,918 | \$ 63,682,764 | \$ 59,776,419 |
| Capital assets, net | 128,566,663 | 126,322,100 | 21,908,077 | 22,560,710 | 150,474,740 | 148,882,810 |
| Total Assets | 185,094,463 | 179,759,601 | 29,063,041 | 28,899,628 | 214,157,504 | 208,659,229 |
| <u>Deferred Outflows of Resources</u> | | | | | | |
| Prepaid expenses | 1,430,227 | 1,415,995 | - | - | 1,430,227 | 1,415,995 |
| Pension related deferred outflows | 7,918,284 | 3,520,704 | 614,663 | 273,284 | 8,532,947 | 3,793,988 |
| Total Deferred Outflows of Resources | 9,348,511 | 4,936,699 | 614,663 | 273,284 | 9,963,174 | 5,209,983 |
| <u>Liabilities</u> | | | | | | |
| Long-term liabilities | 175,601,409 | 166,683,781 | 9,352,751 | 8,794,666 | 184,954,160 | 175,478,447 |
| Other liabilities | 12,149,293 | 12,624,069 | 229,220 | 237,954 | 12,378,513 | 12,862,023 |
| Total Liabilities | 187,750,702 | 179,307,850 | 9,581,971 | 9,032,620 | 197,332,673 | 188,340,470 |
| <u>Deferred Inflows of Resources</u> | | | | | | |
| Pension related deferred inflows | 505,058 | 673,411 | 39,204 | 52,272 | 544,262 | 725,683 |
| Total Deferred Outflows of Resources | 505,058 | 673,411 | 39,204 | 52,272 | 544,262 | 725,683 |
| <u>Net Position</u> | | | | | | |
| Net investment of capital assets | 87,961,245 | 88,407,100 | 19,928,077 | 20,435,710 | 107,889,322 | 108,842,810 |
| Restricted | 13,569,749 | 11,556,923 | - | - | 13,569,749 | 11,556,923 |
| Unrestricted | (95,343,780) | (95,248,984) | 128,452 | (347,690) | (95,215,328) | (95,596,674) |
| Net Position | \$ 6,187,214 | \$ 4,715,039 | \$ 20,056,529 | \$ 20,088,020 | \$ 26,243,743 | \$ 24,803,059 |

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 \$95.2 million. This has resulted due to the recognition in long-term liabilities of net pension liability obligations of approximately \$82.1 million following the implementation of GASB Statement 68 in 2015; and other postemployment benefits of almost \$62.4 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, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 |
| <u>Revenues</u> | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 7,200,171 | \$ 7,749,844 | \$ 7,924,938 | \$ 7,598,112 | \$ 15,125,109 | \$ 15,347,956 |
| Operating grants and contributions | 29,645,710 | 25,593,455 | - | - | 29,645,710 | 25,593,455 |
| Capital grants and contributions | 1,194,292 | 1,175,548 | 100,502 | 90,812 | 1,294,794 | 1,266,360 |
| General revenues: | | | | | | |
| Property taxes | 76,405,869 | 73,923,906 | - | - | 76,405,869 | 73,923,906 |
| Motor vehicle and other excise | 4,645,693 | 4,639,818 | - | - | 4,645,693 | 4,639,818 |
| Intergovernmental | 2,390,882 | 2,288,383 | 98,100 | - | 2,488,982 | 2,288,383 |
| Other | 1,140,239 | 1,073,889 | - | 135 | 1,140,239 | 1,074,024 |
| Total Revenues | 122,622,856 | 116,444,843 | 8,123,540 | 7,689,059 | 130,746,396 | 124,133,902 |
| <u>Expenses</u> | | | | | | |
| General government | 12,483,568 | 13,105,673 | - | - | 12,483,568 | 13,105,673 |
| Public safety | 19,299,102 | 18,362,253 | - | - | 19,299,102 | 18,362,253 |
| Education | 73,334,014 | 69,932,023 | - | - | 73,334,014 | 69,932,023 |
| Public works | 9,701,299 | 9,432,259 | - | - | 9,701,299 | 9,432,259 |
| Health and human services | 1,338,317 | 1,494,287 | - | - | 1,338,317 | 1,494,287 |
| Culture and recreation | 3,194,320 | 3,537,900 | - | - | 3,194,320 | 3,537,900 |
| Debt service | 1,554,439 | 1,516,002 | - | - | 1,554,439 | 1,516,002 |
| Water | - | - | 5,188,941 | 4,906,309 | 5,188,941 | 4,906,309 |
| Sewer | - | - | 3,211,712 | 3,034,219 | 3,211,712 | 3,034,219 |
| Total Expenses | 120,905,059 | 117,380,397 | 8,400,653 | 7,940,528 | 129,305,712 | 125,320,925 |
| Increase (decrease) in net position before transfers | 1,717,797 | (935,554) | (277,113) | (251,469) | 1,440,684 | (1,187,023) |
| Transfers | (245,622) | 203,869 | 245,622 | (203,869) | - | - |
| Change in net position | 1,472,175 | (731,685) | (31,491) | (455,338) | 1,440,684 | (1,187,023) |
| Net position, beginning of year | 4,715,039 | 5,446,724 | 20,088,020 | 20,543,358 | 24,803,059 | 25,990,082 |
| Net position, end of year | \$ 6,187,214 | \$ 4,715,039 | \$ 20,056,529 | \$ 20,088,020 | \$ 26,243,743 | \$ 24,803,059 |

Governmental Activities - The Town's reliance on property taxes is significant. During 2017 property taxes made up approximately 62.3% of total revenues. In dollar terms, property taxes were \$2.5 million higher than the prior year which was in line with statutory increases allowed under proposition 2 ½ and included, tax exempt debt and statutory annual limitations.

An additional significant portion of the remaining revenues is made up of operating grants and contributions which comprised 24.1% of total revenues, in dollar amounts this increased \$4.1 million over the prior year 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.

All other revenues were either consistent with the prior year or not material in amount.

Major expenses were for education which continues to be an area that the Town devotes significant resources. Education represented 60.7% of total expenses. 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 16.0% of total expenses and increased over \$0.9 million as compared to the prior year of. This modest increase which was similar to increases in Public Works was due to allocated benefit increases across the board. Despite benefit allocations increasing for Culture and Recreation, this function was lower than the prior year due to a large expense associated with a European trip sponsored through user fees and donations.

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 \$38.5 million, with the general fund being the chief operating fund of the Town and representing 94.3% of the total. At the end of the current fiscal year, unassigned fund balance in the general fund was approximately \$31.6 million, while the total fund balance reached over \$36.3 million.

The increase to fund balance of over \$5.5 million was a result from operations of over \$6.0 million due to effective cost controls and revenues that continue to beat forecast in an expanding economy.

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 30.8% of total general fund expenditures, while total fund balance represents approximately 35.4% of that same amount.

In addition to the \$31.6 million in the general fund previously discussed, there was a balance restricted for debt service of nearly \$2.1 million, a committed balance of almost \$1.7 million and an assigned fund balance of approximately \$0.8 million.

The Capital Project Fund and combined Nonmajor funds had restricted fund balances in aggregate of approximately \$6.5 million. The remaining fund balances were made up primarily of a nonspendable fund balance of \$1.0 million and negative unassigned fund balance of less than \$5.4 million. Increases and decreases in these funds are subject to the timing of receipts and disbursements as revenues and expenditures are intended to net over time.

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 2017, the project incurred expenditures or construction in progress of \$0.4 million. The Town recognized revenue from the MSBA in the amount of less than \$0.1 million as the project winds down.

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 \$12.7 million and \$7.4 million respectively. Furthermore, these balances represented a decrease in the water net position balance of approximately \$0.2 million and an increase in sewer net position balances of about \$0.2 million 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 \$6.0 million and reflected about a \$1.4 million increase from the prior year as contributions exceeded claims. The net position represented approximately 40.8% of the operating costs for fiscal year 2017.

Fiduciary Funds – The Town's fiduciary funds are comprised of multiple fund purposes. The private purpose trust funds totaling \$0.6 million 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 \$3.0 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

There was no difference between the total original budget and the final amended budget. However, there were changes between various budget line items.

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, 2017, amounts to approximately \$150.5 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 \$1.6 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 \$38.2 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 \$2.0 million during the fiscal year due to regularly scheduled pay downs of principal offset by a small issuance.

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 \$215 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 shown consistent growth in the past couple of years and are now at or exceeding fiscal year 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 \$21.6 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 also 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 these future use purposes in order to help offset or mitigate budget impacts from costs committed to or that may be unanticipated.
- For fiscal year 2018, the Town's real estate tax base is made up predominantly of residential taxes, which comprise nearly 59.9% of the Town's property tax base. The Town also relies on its commercial and industrial real estate tax base, which in aggregate comprise 35.3% 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 2018 tax rate was set on December 6, 2017, at a rate of \$14.41 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 2018.

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, 2017**

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 49,869,966 | \$ 4,225,286 | \$ 54,095,252 |
| Investments | 1,081,555 | - | 1,081,555 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property taxes | 1,092,994 | - | 1,092,994 |
| Tax titles | 1,232,271 | - | 1,232,271 |
| Excise taxes | 592,564 | - | 592,564 |
| User fees | - | 2,787,538 | 2,787,538 |
| Departmental and other | 542,208 | 142,140 | 684,348 |
| Intergovernmental | 1,452,039 | - | 1,452,039 |
| Tax foreclosures | 664,203 | - | 664,203 |
| Capital assets, not being depreciated | 12,350,331 | 1,854,000 | 14,204,331 |
| Depreciable capital assets, net of accumulated depreciation | 116,216,332 | 20,054,077 | 136,270,409 |
| Total Assets | 185,094,463 | 29,063,041 | 214,157,504 |
| Deferred Outflows of Resources | | | |
| Prepaid expenses - health insurance claims | 1,430,227 | - | 1,430,227 |
| Pension related net deferred outflows | 7,918,284 | 614,663 | 8,532,947 |
| Total Deferred Outflows of Resources | 9,348,511 | 614,663 | 9,963,174 |
| Liabilities | | | |
| Warrants and accounts payable | 2,246,630 | 30,335 | 2,276,965 |
| Accrued payroll and withholdings | 11,344 | - | 11,344 |
| Retainage payable | 356,449 | - | 356,449 |
| Health claims payable | 679,916 | - | 679,916 |
| Appellate tax board cases | 591,041 | - | 591,041 |
| Bond anticipation notes | 5,450,000 | - | 5,450,000 |
| Long-term liabilities: | | | |
| Due within one year | 2,813,913 | 198,885 | 3,012,798 |
| Due in more than one year | 175,601,409 | 9,352,751 | 184,954,160 |
| Total Liabilities | 187,750,702 | 9,581,971 | 197,332,673 |
| Deferred Inflows of Resources | 505,058 | 39,204 | 544,262 |
| Net Position | | | |
| Net investment in capital assets | 87,961,245 | 19,928,077 | 107,889,322 |
| Restricted for: | | | |
| Nonexpendable permanent funds | 988,835 | - | 988,835 |
| Expendable permanent funds | 668,195 | - | 668,195 |
| Federal and state grants | 1,785,764 | - | 1,785,764 |
| Revolving funds | 2,870,454 | - | 2,870,454 |
| Health insurance claims trust | 6,030,588 | - | 6,030,588 |
| Other purposes | 1,225,913 | - | 1,225,913 |
| Unrestricted | (95,343,780) | 128,452 | (95,215,328) |
| Total Net Position | \$ 6,187,214 | \$ 20,056,529 | \$ 26,243,743 |

See accompanying notes to basic financial statements.

TOWN OF WILMINGTON, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2017**

| 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 | \$ 12,483,568 | \$ 351,399 | \$ 480,133 | \$ - | \$ (11,652,036) | | \$ (11,652,036) |
| Public safety | 19,299,102 | 2,303,747 | 831,182 | - | (16,164,173) | | (16,164,173) |
| Education | 73,334,014 | 3,125,049 | 26,272,043 | 28,825 | (43,908,097) | | (43,908,097) |
| Public works | 9,701,299 | 425,828 | 770,618 | 1,165,467 | (7,339,386) | | (7,339,386) |
| Health and human services | 1,338,317 | 114,220 | 800,029 | - | (424,068) | | (424,068) |
| Culture and recreation | 3,194,320 | 879,928 | 491,705 | - | (1,822,687) | | (1,822,687) |
| Interest expense | 1,554,439 | - | - | - | (1,554,439) | | (1,554,439) |
| Total Governmental Activities | 120,905,059 | 7,200,171 | 29,645,710 | 1,194,292 | (82,864,886) | | (82,864,886) |
| Business-Type Activities | | | | | | | |
| Water | 5,188,941 | 4,919,193 | - | 100,000 | | \$ (169,748) | (169,748) |
| Sewer | 3,211,712 | 3,005,745 | - | 502 | | (205,465) | (205,465) |
| Total Business-Type Activities | 8,400,653 | 7,924,938 | - | 100,502 | | (375,213) | (375,213) |
| Total Primary Government | \$ 129,305,712 | \$ 15,125,109 | \$ 29,645,710 | \$ 1,294,794 | (82,864,886) | (375,213) | (83,240,099) |
| General Revenues | | | | | | | |
| Property taxes | | | | | 76,405,869 | - | 76,405,869 |
| Motor vehicle and other excise | | | | | 4,645,693 | - | 4,645,693 |
| Intergovernmental | | | | | 2,390,882 | 98,100 | 2,488,982 |
| Penalties and interest on taxes | | | | | 676,469 | - | 676,469 |
| Investment income | | | | | 463,770 | - | 463,770 |
| Transfers (net) | | | | | (245,622) | 245,622 | - |
| Total General Revenues and Transfers | | | | | 84,337,061 | 343,722 | 84,680,783 |
| Change in Net Position | | | | | 1,472,175 | (31,491) | 1,440,684 |
| Net Position | | | | | | | |
| Beginning of year | | | | | 4,715,039 | 20,088,020 | 24,803,059 |
| End of year | | | | | \$ 6,187,214 | \$ 20,056,529 | \$ 26,243,743 |

See accompanying notes to basic financial statements.

TOWN OF WILMINGTON, MASSACHUSETTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

| | General Fund | Capital Projects | High School Construction | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|-----------------------------|-----------------------------------|--------------------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 38,319,013 | \$ 273,128 | \$ - | \$ 6,056,722 | \$ 44,648,863 |
| Investments | - | - | - | 1,081,555 | 1,081,555 |
| Receivables, net of allowance for uncollectibles: | | | | | |
| Real estate and personal property taxes | 1,092,994 | - | - | - | 1,092,994 |
| Tax titles | 1,232,271 | - | - | - | 1,232,271 |
| Excise taxes | 592,564 | - | - | - | 592,564 |
| Departmental and other | 305,694 | - | - | 177,340 | 483,034 |
| Due from other government | - | 547,254 | 486,031 | 418,754 | 1,452,039 |
| Due from other funds | 559,070 | - | - | - | 559,070 |
| Tax foreclosures | 664,203 | - | - | - | 664,203 |
| Total Assets | 42,765,809 | 820,382 | 486,031 | 7,734,371 | 51,806,593 |
| Total Deferred Outflows of Resources | - | - | - | - | - |
| Total Assets and Deferred Outflows of Resources | \$ 42,765,809 | \$ 820,382 | \$ 486,031 | \$ 7,734,371 | \$ 51,806,593 |
| Liabilities | | | | | |
| Warrants and accounts payable | \$ 1,928,441 | \$ 211 | \$ - | \$ 317,978 | \$ 2,246,630 |
| Accrued payroll and withholdings | 11,344 | - | - | - | 11,344 |
| Retainage Payable | - | - | 356,449 | - | 356,449 |
| Due to other funds | - | - | 559,070 | - | 559,070 |
| Appellate court cases | 591,041 | - | - | - | 591,041 |
| Bond anticipation notes | - | 5,450,000 | - | - | 5,450,000 |
| Total Liabilities | 2,530,826 | 5,450,211 | 915,519 | 317,978 | 9,214,534 |
| Deferred Inflows of Resources | | | | | |
| Unearned revenue - property taxes | 1,092,994 | - | - | - | 1,092,994 |
| Unearned revenue - tax titles | 1,232,271 | - | - | - | 1,232,271 |
| Unearned revenue - excise taxes | 592,564 | - | - | - | 592,564 |
| Unearned revenue - tax foreclosures | 664,203 | - | - | - | 664,203 |
| Unearned revenue - other | 305,694 | - | - | 177,340 | 483,034 |
| Total Deferred Inflows of Resources | 3,887,726 | - | - | 177,340 | 4,065,066 |
| Fund Balances | | | | | |
| Nonspendable | - | - | - | 988,835 | 988,835 |
| Restricted | 2,149,942 | 259,672 | - | 6,290,065 | 8,699,679 |
| Committed | 1,738,304 | 589 | - | - | 1,738,893 |
| Assigned | 813,387 | - | - | - | 813,387 |
| Unassigned | 31,645,624 | (4,890,090) | (429,488) | (39,847) | 26,286,199 |
| Total Fund Balances | 36,347,257 | (4,629,829) | (429,488) | 7,239,053 | 38,526,993 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$ 42,765,809 | \$ 820,382 | \$ 486,031 | \$ 7,734,371 | \$ 51,806,593 |

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, 2017

| | | |
|--|----------------------|----------------------------|
| Total Governmental Fund Balances | | \$ 38,526,993 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 128,566,663 |
| Other long-term assets are not available to pay for current-period expenditures and are therefore reported as unavailable in the governmental funds. | | 4,065,066 |
| 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 | | 6,030,588 |
| 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 | | 7,413,226 |
| 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 | (36,140,721) | |
| Unamortized bond premium | (2,150,457) | |
| Compensated absences | (2,985,645) | |
| Net pension liability | (76,189,879) | |
| Other postemployment benefits | (60,948,620) | |
| Net effect of reporting long-term liabilities | <u>(178,415,322)</u> | <u>(178,415,322)</u> |
| Net Position of Governmental Activities | | <u>\$ 6,187,214</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, 2017**

| | General Fund | Capital Projects | High School Construction | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------|-----------------------------|-----------------------------------|--------------------------------|
| Revenues | | | | | |
| Property taxes | \$ 75,838,116 | \$ - | \$ - | \$ - | \$ 75,838,116 |
| Payment in lieu of taxes | 785,520 | - | - | - | 785,520 |
| Intergovernmental | 23,213,814 | - | 28,825 | 4,650,920 | 27,893,559 |
| Motor vehicle and other excises | 4,680,955 | - | - | - | 4,680,955 |
| Departmental and other revenue | 2,030,269 | - | - | 3,919,804 | 5,950,073 |
| Licenses and permits | 707,178 | - | - | - | 707,178 |
| Penalties and interest on taxes | 676,469 | - | - | - | 676,469 |
| Fines and forfeitures | 91,646 | - | - | - | 91,646 |
| Investment income | 424,487 | - | - | 36,214 | 460,701 |
| Contributions and donations | - | - | - | 1,161,156 | 1,161,156 |
| Total Revenues | <u>108,448,454</u> | <u>-</u> | <u>28,825</u> | <u>9,768,094</u> | <u>118,245,373</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 8,321,417 | - | - | 46,572 | 8,367,989 |
| Public safety | 11,041,421 | 625,657 | - | 206,024 | 11,873,102 |
| Education | 42,090,285 | - | 372,462 | 6,510,866 | 48,973,613 |
| Public works | 6,786,960 | - | - | 1,307,581 | 8,094,541 |
| Health and human services | 939,561 | - | - | 75,336 | 1,014,897 |
| Culture and recreation | 1,293,097 | 2,782,883 | - | 963,698 | 5,039,678 |
| Pension and fringe benefits | 16,516,463 | - | - | - | 16,516,463 |
| Health insurance benefits | 11,303,471 | - | - | - | 11,303,471 |
| State and county tax assessments | 766,641 | - | - | - | 766,641 |
| Debt Service: | | | | | |
| Principal | 1,940,000 | - | - | 19,979 | 1,959,979 |
| Interest | 1,661,962 | - | - | - | 1,661,962 |
| Total Expenditures | <u>102,661,278</u> | <u>3,408,540</u> | <u>372,462</u> | <u>9,130,056</u> | <u>115,572,336</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>5,787,176</u> | <u>(3,408,540)</u> | <u>(343,637)</u> | <u>638,038</u> | <u>2,673,037</u> |
| Other Financing Sources (Uses) | | | | | |
| Premium from debt issuance | - | - | - | 44,227 | 44,227 |
| Transfers in | 40,000 | - | - | - | 40,000 |
| Transfers out | (245,622) | - | - | (40,000) | (285,622) |
| Total Other Financing Sources (Uses) | <u>(205,622)</u> | <u>-</u> | <u>-</u> | <u>4,227</u> | <u>(201,395)</u> |
| Net Change in Fund Balances | 5,581,554 | (3,408,540) | (343,637) | 642,265 | 2,471,642 |
| Fund Balances - Beginning 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> |
| Fund Balances - End of year | <u>\$ 36,347,257</u> | <u>\$ (4,629,829)</u> | <u>\$ (429,488)</u> | <u>\$ 7,239,053</u> | <u>\$ 38,526,993</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, 2017**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 2,471,642**

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 | 6,873,049 | |
| Depreciation | (4,628,486) | |
| | | |
| Net effect of reporting capital assets | | 2,244,563 |

| | | |
|---|--|-----------|
| 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. | | 1,355,978 |
|---|--|-----------|

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 | 1,959,979 | |
| | | |
| Net effect of reporting long-term debt | | 1,959,979 |

| | | |
|---|--|-----------|
| 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. | | (228,346) |
|---|--|-----------|

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 | (79,868) | |
| Net pension liability | (2,580,099) | |
| Other postemployment benefits | (3,779,197) | |
| | | |
| Net effect of reporting long-term liabilities | | (6,331,641) |

| | | |
|--|--|---------------------|
| Change in Net Position of Governmental Activities | | \$ 1,472,175 |
|--|--|---------------------|

See accompanying notes to basic financial statements.

TOWN OF WILMINGTON, MASSACHUSETTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

| | Business-type Activities - Enterprise Funds | | | Governmental Activities |
|---|---|---------------------|----------------------|-----------------------------|
| | Water | Sewer | Totals | Internal Service Fund |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 3,601,079 | \$ 624,207 | \$ 4,225,286 | \$ 5,221,103 |
| Receivables, net of allowance for uncollectibles: | | | | |
| User charges | 1,610,558 | 1,176,980 | 2,787,538 | - |
| Betterments | - | 3,386 | 3,386 | - |
| Stop loss insurance | - | - | - | 59,174 |
| Total Current Assets | <u>5,211,637</u> | <u>1,804,573</u> | <u>7,016,210</u> | <u>5,280,277</u> |
| Noncurrent assets: | | | | |
| Receivables, net of allowance for uncollectibles: | | | | |
| Betterments | - | 138,754 | 138,754 | - |
| Capital assets, not being depreciated | 1,854,000 | - | 1,854,000 | - |
| Depreciable capital assets, net of accumulated depreciation | 13,641,733 | 6,412,344 | 20,054,077 | - |
| Total Noncurrent Assets | <u>15,495,733</u> | <u>6,551,098</u> | <u>22,046,831</u> | <u>-</u> |
| Total Assets | <u>20,707,370</u> | <u>8,355,671</u> | <u>29,063,041</u> | <u>5,280,277</u> |
| Deferred Outflow of Resources | | | | |
| Prepaid expense - health insurance claims | - | - | - | 1,430,227 |
| Net difference between pension investment earnings | 614,663 | - | 614,663 | - |
| Total Deferred Outflow of Resources | <u>614,663</u> | <u>-</u> | <u>614,663</u> | <u>1,430,227</u> |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Warrants and accounts payable | 30,335 | - | 30,335 | - |
| Health claims payable | - | - | - | 679,916 |
| Bonds and notes payable | 80,000 | 88,980 | 168,980 | - |
| Compensated absences | 29,905 | - | 29,905 | - |
| Total Current Liabilities | <u>140,240</u> | <u>88,980</u> | <u>229,220</u> | <u>679,916</u> |
| Noncurrent liabilities: | | | | |
| Bonds and notes payable | 1,040,000 | 890,920 | 1,930,920 | - |
| Compensated absences | 89,717 | - | 89,717 | - |
| Net pension liability | 5,914,006 | - | 5,914,006 | - |
| Other postemployment benefits | 1,418,108 | - | 1,418,108 | - |
| Total Noncurrent Liabilities | <u>8,461,831</u> | <u>890,920</u> | <u>9,352,751</u> | <u>-</u> |
| Total Liabilities | <u>8,602,071</u> | <u>979,900</u> | <u>9,581,971</u> | <u>679,916</u> |
| Total Deferred Inflows of Resources | <u>39,204</u> | <u>-</u> | <u>39,204</u> | <u>-</u> |
| Net Position | | | | |
| Net investment in capital assets | 14,375,733 | 5,552,344 | 19,928,077 | - |
| Held for health claims | - | - | - | 6,030,588 |
| Unrestricted | (1,694,975) | 1,823,427 | 128,452 | - |
| Total Net Position | <u>\$ 12,680,758</u> | <u>\$ 7,375,771</u> | <u>\$ 20,056,529</u> | <u>\$ 6,030,588</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, 2017**

| | Business-type Activities - Enterprise Funds | | | Governmental Activities |
|--|---|---------------------|----------------------|-----------------------------|
| | Water | Sewer | Totals | Internal Service Fund |
| Operating Revenues | | | | |
| Charges for services | \$ 4,418,591 | \$ 2,868,803 | \$ 7,287,394 | \$ - |
| Employer contributions | - | - | - | 11,567,673 |
| Employee contributions | - | - | - | 4,176,169 |
| Other | 500,602 | 136,942 | 637,544 | 382,364 |
| Total Operating Revenues | 4,919,193 | 3,005,745 | 7,924,938 | 16,126,206 |
| Operating Expenses | | | | |
| Operating costs | 4,411,692 | 2,816,081 | 7,227,773 | 444,191 |
| Benefit payments | - | - | - | 14,329,106 |
| Depreciation | 733,529 | 363,403 | 1,096,932 | - |
| Total Operating Expenses | 5,145,221 | 3,179,484 | 8,324,705 | 14,773,297 |
| Operating Income (Loss) | (226,028) | (173,739) | (399,767) | 1,352,909 |
| Nonoperating Revenues (Expenses) | | | | |
| Intergovernmental | - | 98,100 | 98,100 | - |
| Developer contributions | 100,000 | - | 100,000 | - |
| Interest income | - | - | - | 3,069 |
| Betterment income | - | 502 | 502 | - |
| Interest expense | (43,720) | (32,228) | (75,948) | - |
| Total Nonoperating Revenues (Expenses), net | 56,280 | 66,374 | 122,654 | 3,069 |
| Income (loss) Before Transfers | (169,748) | (107,365) | (277,113) | 1,355,978 |
| Transfers in | - | 245,622 | 245,622 | - |
| Change in Net Position | (169,748) | 138,257 | (31,491) | 1,355,978 |
| Total Net Position - Beginning of the Year | 12,850,506 | 7,237,514 | 20,088,020 | 4,674,610 |
| Total Net Position - End of the Year | \$ 12,680,758 | \$ 7,375,771 | \$ 20,056,529 | \$ 6,030,588 |

See accompanying notes to basic financial statements.

40.8%

TOWN OF WILMINGTON, MASSACHUSETTS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017**

| | Business-type Activities - Enterprise Funds | | | Governmental Activities |
|--|--|----------------------------|--------------------------|--------------------------------------|
| | Water | Sewer | Totals | Internal Service Fund |
| Cash Flows from Operating Activities: | | | | |
| Receipts from users | \$ 4,314,195 | \$ 2,489,094 | \$ 6,803,289 | \$ 11,567,673 |
| Employer contributions | - | - | - | 4,176,169 |
| Other departmental income | 500,602 | 136,942 | 637,544 | 409,466 |
| Payments to vendors | (2,088,003) | (2,725,405) | (4,813,408) | (14,717,623) |
| Payments to employees | (2,102,127) | (92,234) | (2,194,361) | - |
| Net Cash Provided by (Used for) Operating Activities | 624,667 | (191,603) | 433,064 | 1,435,685 |
| Cash Flows from Noncapital Financing Activities: | | | | |
| Transfers in | - | 245,622 | 245,622 | - |
| Net Cash Provided by Noncapital Related Financing Activities | - | 245,622 | 245,622 | - |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Intergovernmental revenue | - | 98,100 | 98,100 | - |
| Developer contributions | 100,000 | - | 100,000 | - |
| Proceeds from betterments | - | 35,168 | 35,168 | - |
| Acquisition and construction of capital assets | (424,549) | (19,750) | (444,299) | - |
| Proceeds from bonds and notes issued | - | 119,900 | 119,900 | - |
| Principal payments on bonds and notes | (80,000) | (65,000) | (145,000) | - |
| Interest expense | (43,720) | (32,228) | (75,948) | - |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | (448,269) | 136,190 | (312,079) | - |
| Cash Flows from Investing Activities: | | | | |
| Investment income | - | - | - | 3,069 |
| Net Cash Provided by Investing Activities | - | - | - | 3,069 |
| Net Change in Cash and Cash Equivalents | 176,398 | 190,209 | 366,607 | 1,438,754 |
| Cash and Cash Equivalents: | | | | |
| Beginning of year | 3,424,681 | 433,998 | 3,858,679 | 3,782,349 |
| End of year | <u>\$ 3,601,079</u> | <u>\$ 624,207</u> | <u>\$ 4,225,286</u> | <u>\$ 5,221,103</u> |
| Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities: | | | | |
| Adjustments to reconcile operating income (loss) | | | | |
| to net cash provided (used) by operating activities: | \$ (226,028) | \$ (173,739) | \$ (399,767) | \$ 1,352,909 |
| Depreciation | 733,529 | 363,403 | 1,096,932 | - |
| Changes in assets and liabilities: | | | | |
| Receivables | (104,396) | (379,709) | (484,105) | 27,102 |
| Prepaid expense | - | - | - | (14,232) |
| Deferred outflows/inflows pensions | (354,447) | - | (354,447) | - |
| Accounts payable | (26,914) | (1,558) | (28,472) | - |
| Health claims payable | - | - | - | 69,906 |
| Compensated absences payable | (16,966) | - | (16,966) | - |
| Net pension liability | 554,689 | - | 554,689 | - |
| Other postemployment benefits payable | 65,200 | - | 65,200 | - |
| Net Cash Provided by (Used for) Operating Activities | <u>\$ 624,667</u> | <u>\$ (191,603)</u> | <u>\$ 433,064</u> | <u>\$ 1,435,685</u> |

See accompanying notes to basic financial statements.

TOWN OF WILMINGTON, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

| | Other Postemployment Benefits Trust Fund | Private Purpose Trust Funds | Agency Funds |
|-------------------------------|---|-----------------------------------|--------------------|
| Assets | | | |
| Cash and cash equivalents | \$ - | \$ 273,719 | \$ 1,288,836 |
| Investments | <u>2,973,650</u> | <u>368,766</u> | <u>-</u> |
| Total Assets | <u>2,973,650</u> | <u>642,485</u> | <u>1,288,836</u> |
| Liabilities | | | |
| Contractor deposits | - | - | 853,832 |
| Student activities | - | - | 227,547 |
| Other liabilities | <u>-</u> | <u>-</u> | <u>207,457</u> |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>1,288,836</u> |
| Net Position | | | |
| Held in trust for: | | | |
| Other postemployment benefits | 2,973,650 | - | - |
| Private purposes | <u>-</u> | <u>642,485</u> | <u>-</u> |
| Total Net Position | <u><u>\$ 2,973,650</u></u> | <u><u>\$ 642,485</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, 2017**

| | Other Postemployment Benefits Trust Fund | Private Purpose Trust Funds |
|--|---|-----------------------------------|
| | <u>Trust Fund</u> | <u>Trust Funds</u> |
| Additions | | |
| Contributions and donations - employer | \$ 4,457,544 | \$ - |
| Contributions and donations - others | - | 12,641 |
| Investment income (loss) | <u>310,063</u> | <u>15,655</u> |
| Total Additions | <u>4,767,607</u> | <u>28,296</u> |
| Deductions | | |
| Scholarships and assistance | - | 15,614 |
| Retiree health insurance | <u>3,457,544</u> | <u>-</u> |
| Total Deductions | <u>3,457,544</u> | <u>15,614</u> |
| Change in Net Position | 1,310,063 | 12,682 |
| Net Position - Beginning of the Year | <u>1,663,587</u> | <u>629,803</u> |
| Net Position - End of the Year | <u><u>\$ 2,973,650</u></u> | <u><u>\$ 642,485</u></u> |

See accompanying notes to basic financial statements.

TOWN OF WILMINGTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

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, 2017, the SVTHS does not have significant unassigned fund balance amounts or long-term bonds. The Town's assessment for 2017 was \$3,857,233. Stand-alone financial statements for the year ended June 30, 2017 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 \$3,392,223 and \$1,266,757 respectively at June 30, 2017 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 \$2,551,691 of encumbrances from normal purchasing activity in the general fund in the amount of \$1,738,304 and \$813,387 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 | \$ - | \$ - | \$ - | \$ 988,835 | \$ 988,835 |
| Restricted: | | | | | |
| General government | - | - | - | 723,792 | 723,792 |
| Public safety | - | - | - | 174,076 | 174,076 |
| Education | - | 259,672 | - | 2,948,205 | 3,207,877 |
| Public works | - | - | - | 977,600 | 977,600 |
| Health and human services | - | - | - | 125,137 | 125,137 |
| Culture and recreation | - | - | - | 1,246,669 | 1,246,669 |
| Debt service | 2,149,942 | - | - | 94,586 | 2,244,528 |
| Committed: | | | | | |
| General government | 71,704 | - | - | - | 71,704 |
| Public safety | 1,794 | 589 | - | - | 2,383 |
| Education | 483,914 | - | - | - | 483,914 |
| Public works | 180,892 | - | - | - | 180,892 |
| Pension and other fringes | 1,000,000 | - | - | - | 1,000,000 |
| Assigned: | | | | | |
| General government | 555,079 | - | - | - | 555,079 |
| Public safety | 251 | - | - | - | 251 |
| Education | 210,059 | - | - | - | 210,059 |
| Public works | 41,491 | - | - | - | 41,491 |
| Health and human services | 367 | - | - | - | 367 |
| Culture and recreation | 3,512 | - | - | - | 3,512 |
| Pension and other fringes | 2,628 | - | - | - | 2,628 |
| Unassigned | 31,645,624 | (4,890,090) | (429,488) | (39,847) | 26,286,199 |
| Totals | <u>\$ 36,347,257</u> | <u>\$ (4,629,829)</u> | <u>\$ (429,488)</u> | <u>\$ 7,239,053</u> | <u>\$ 38,526,993</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 \$55,657,807 and the bank balance was \$57,797,483. Of the Town's bank balance, \$57,209,472 was covered by insurance from the Federal Depository Insurance Corporation (FDIC) or the Depositors' Insurance Fund (DIF) or through collateralization agreements. 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, 2017:

| | 6/30/17 | Fair Value Measurements Using | | |
|---|---------------------|-------------------------------|-------------------|-------------|
| | | Level 1 | Level 2 | Level 3 |
| <u>Investments by fair value level</u> | | | | |
| Debt securities: | | | | |
| U.S. Government obligations | \$ 340,582 | \$ 340,582 | \$ - | \$ - |
| Corporate bonds | 185,021 | 185,021 | - | - |
| Governmental mutual funds | 77,566 | 77,566 | - | - |
| Money market mutual funds | 100,307 | - | 100,307 | - |
| Negotiable certificates of deposit | 370,827 | - | 370,827 | - |
| Total debt securities | 1,074,303 | 603,169 | 471,134 | - |
| Equity securities: | | | | |
| Common stock | 476,325 | 476,325 | - | - |
| Total equity securities | 476,325 | 476,325 | - | - |
| Total investments by fair value level | 1,550,628 | <u>\$ 1,079,494</u> | <u>\$ 471,134</u> | <u>\$ -</u> |
| <u>Investments measured at amortized cost</u> | | | | |
| MA Pension Reserves Investment Trust | 2,973,650 | | | |
| State treasurer investment pool | 270,310 | | | |
| Total investments measured at fair value | <u>\$ 4,794,588</u> | | | |

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Money market mutual funds and negotiable certificate of deposit classified in Level 2 are valued at the published fair value per share (unit). The MA Pension Reserves Investment Trust (PRIT) and the State Treasurer’s investment pool (MMDT) are valued at amortized cost. The investment advisors of those funds may value their pools using an alternative valuation method that more accurately reflects the fair value in accordance with the pools’ fair value pricing policies should amortized cost not approximate the fair value of the pools.

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, 2017, the credit quality ratings of the Town's debt securities were as follows:

| S&P Quality Ratings | Investment Type | | | | | | | Fair Value |
|------------------------|-----------------------------------|--------------------|-------------------------------|---------------------------------|----------------------------|----------------------------|------------------------------------|---------------------|
| | U.S. Government Obligations | Corporate Bonds | Government Mutual Funds | Money Market Mutual Funds | Certificates of Deposit | PRIT Investment Pool | State Treas. Investment Pool | |
| AA+ | \$ 340,582 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 340,582 |
| A | - | 65,043 | - | - | - | - | - | 65,043 |
| A- | - | 49,846 | - | - | - | - | - | 49,846 |
| BBB | - | 70,132 | - | - | - | - | - | 70,132 |
| Unrated | - | - | 77,566 | 100,307 | 4,410,915 | 2,973,650 | 270,310 | 7,832,748 |
| Totals | <u>\$ 340,582</u> | <u>\$ 185,021</u> | <u>\$ 77,566</u> | <u>\$ 100,307</u> | <u>\$ 4,410,915</u> | <u>\$ 2,973,650</u> | <u>\$ 270,310</u> | <u>\$ 8,358,351</u> |

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

| Investments | Fair Value | Maturity in Years | | | |
|-----------------------------------|---------------|-------------------|------------|--------------|------|
| | | <1 | 1 - 5 | 6 - 10 | > 10 |
| <u>Investments:</u> | | | | | |
| U.S. Government obligations | \$ 340,582 | \$ - | \$ 340,582 | \$ - | \$ - |
| Corporate fixed income securities | 185,021 | 65,043 | 119,978 | - | - |
| Certificates of deposit | 4,410,915 | 4,170,527 | 240,388 | - | - |
| Governmental Mutual funds | 77,566 | - | 77,566 | - | - |
| Money market mutual funds | 100,307 | 100,307 | - | - | - |
| PRIT investment pool | 2,973,650 | - | - | 2,973,650 | - |
| State Treasurer's investment pool | 270,310 | 270,310 | - | - | - |
| Total investments with maturities | \$ 8,358,351 | \$ 4,606,187 | \$ 778,514 | \$ 2,973,650 | \$ - |
| <u>Other investments:</u> | | | | | |
| Equities | 476,325 | | | | |
| Total Investments | \$ 8,834,676 | | | | |

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 | \$ 1,293,792 | \$ (200,798) | \$ 1,092,994 |
| Tax liens | 1,232,271 | - | 1,232,271 |
| Motor vehicle excise | 828,052 | (235,488) | 592,564 |
| Ambulance | 2,008,769 | (1,703,075) | 305,694 |
| Betterments | 177,340 | - | 177,340 |
| Intergovernmental | 1,452,039 | - | 1,452,039 |
| Tax foreclosures | 664,203 | - | 664,203 |
| Total | <u>\$ 7,656,466</u> | <u>\$ (2,139,361)</u> | <u>\$ 5,517,105</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, 2017, the Town expects to receive as the balance of a grant from the Commonwealth of Massachusetts under School Construction reimbursement regulations, \$1,033,285 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 \$7,895 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 | \$ 1,610,558 | \$ - | \$ 1,610,558 |
| Sewer user charge | 1,176,980 | - | 1,176,980 |
| Sewer betterments | 142,140 | - | 142,140 |
| Total | <u>\$ 2,929,678</u> | <u>\$ -</u> | <u>\$ 2,929,678</u> |

Unapportioned Betterments – The Town reflects noncurrent asset receivables of \$138,754 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 | \$ 1,092,994 | \$ - | \$ 1,092,994 |
| Tax liens | 1,232,271 | - | 1,232,271 |
| Motor vehicle excise | 592,564 | - | 592,564 |
| Ambulance | 305,694 | - | 305,694 |
| Betterments | - | 177,340 | 177,340 |
| Tax foreclosures | 664,203 | - | 664,203 |
| Total | <u>\$ 3,887,726</u> | <u>\$ 177,340</u> | <u>\$ 4,065,066</u> |

C. Interfund Receivables, Payables and Transfers

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

| Transfers Out | Transfers In | | |
|-----------------------------|------------------|-------------------|-------------------|
| | General Fund | Sewer Fund | Total |
| General Fund | \$ - | \$ 245,622 | \$ 245,622 (1) |
| Nonmajor Governmental Funds | 40,000 | - | 40,000 (2) |
| Total | <u>\$ 40,000</u> | <u>\$ 245,622</u> | <u>\$ 285,622</u> |

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

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

D. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-----------------------|---------------------|-------------|-----------------------|
| <u>Governmental Activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 8,508,559 | \$ - | \$ - | \$ 8,508,559 |
| Construction in process | 1,058,889 | 2,782,883 | - | 3,841,772 |
| Total capital assets not being depreciated | 9,567,448 | 2,782,883 | - | 12,350,331 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 134,356,379 | 707,580 | - | 135,063,959 |
| Infrastructure | 8,472,602 | 1,638,157 | - | 10,110,759 |
| Machinery and equipment | 3,957,114 | 428,316 | - | 4,385,430 |
| Vehicles | 8,936,016 | 1,316,113 | - | 10,252,129 |
| Total capital assets being depreciated | 155,722,111 | 4,090,166 | - | 159,812,277 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (28,279,522) | (3,311,666) | - | (31,591,188) |
| Infrastructure | (1,449,694) | (228,569) | - | (1,678,263) |
| Machinery and equipment | (2,640,613) | (333,797) | - | (2,974,410) |
| Vehicles | (6,595,725) | (756,359) | - | (7,352,084) |
| Total accumulated depreciation | (38,965,554) | (4,630,391) | - | (43,595,945) |
| Total capital assets being depreciated, net | 116,756,557 | (540,225) | - | 116,216,332 |
| Governmental activities capital assets, net | <u>\$ 126,324,005</u> | <u>\$ 2,242,658</u> | <u>\$ -</u> | <u>\$ 128,566,663</u> |

For the year ended June 30, 2017, depreciation expense was charged to the governmental activities functions/programs as follows:

| | |
|---------------------------------|---------------------|
| <u>Governmental Activities:</u> | |
| General government | \$ 33,785 |
| Public safety | 818,735 |
| Education | 3,243,510 |
| Public works | 511,002 |
| Health and human services | 5,277 |
| Culture and recreation | 18,082 |
| Total Governmental Activities | <u>\$ 4,630,391</u> |

Capital asset activity for the business-type activities for the year ended June 30, 2017 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 | 60,825 | - | 9,717,354 |
| Infrastructure | 15,912,349 | 363,724 | - | 16,276,073 |
| Machinery and equipment | 334,275 | - | - | 334,275 |
| Vehicles | 1,022,783 | - | - | 1,022,783 |
| Total capital assets being depreciated | 26,925,936 | 424,549 | - | 27,350,485 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (7,074,415) | (245,996) | - | (7,320,411) |
| Infrastructure | (4,985,540) | (375,482) | - | (5,361,022) |
| Machinery and equipment | (202,459) | (22,150) | - | (224,609) |
| Vehicles | (712,809) | (89,901) | - | (802,710) |
| Total accumulated depreciation | (12,975,223) | (733,529) | - | (13,708,752) |
| Total capital assets being depreciated, net | 13,950,713 | (308,980) | - | 13,641,733 |
| Water activities capital assets, net | <u>\$ 15,804,713</u> | <u>\$ (308,980)</u> | <u>\$ -</u> | <u>\$ 15,495,733</u> |
| <u><i>Business-Type Activities - Sewer:</i></u> | | | | |
| Capital assets being depreciated: | | | | |
| Infrastructure | \$ 17,080,854 | \$ 19,750 | \$ - | \$ 17,100,604 |
| Total capital assets being depreciated | 17,080,854 | 19,750 | - | 17,100,604 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (10,324,857) | (363,403) | - | (10,688,260) |
| Total accumulated depreciation | (10,324,857) | (363,403) | - | (10,688,260) |
| Total capital assets being depreciated, net | 6,755,997 | (343,653) | - | 6,412,344 |
| Sewer activities capital assets, net | <u>\$ 6,755,997</u> | <u>\$ (343,653)</u> | <u>\$ -</u> | <u>\$ 6,412,344</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 | 20,706,710 | (652,633) | - | 20,054,077 |
| Business-type activities capital assets, net | <u>\$ 22,560,710</u> | <u>\$ (652,633)</u> | <u>\$ -</u> | <u>\$ 21,908,077</u> |

For the year ended June 30, 2017, depreciation expense was charged to the business-type activities functions/programs as follows:

Business-type Activities:

| | |
|--------------------------------|---------------------|
| Water | \$ 733,529 |
| Sewer | 363,403 |
| Total Business-type Activities | <u>\$ 1,096,932</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 | \$ 38,100,700 | \$ - | \$ (1,959,979) | \$ 36,140,721 | \$ 1,959,979 |
| Unamortized bond premium | 2,257,980 | - | (107,523) | 2,150,457 | 107,523 |
| Compensated absences, net | 2,905,777 | 806,312 | (726,444) | 2,985,645 | 746,411 |
| Net pension liability | 69,043,847 | 16,255,682 | (9,109,650) | 76,189,879 | - |
| Other postemployment benefits | 57,169,423 | 8,195,209 | (4,416,012) | 60,948,620 | - |
| Total Governmental Activities | <u>\$ 169,477,727</u> | <u>\$ 25,257,203</u> | <u>\$ (16,319,608)</u> | <u>\$ 178,415,322</u> | <u>\$ 2,813,913</u> |
| Business-type Activities: Water | | | | | |
| Bond and note debt | \$ 1,200,000 | \$ - | \$ (80,000) | \$ 1,120,000 | \$ 80,000 |
| Compensated absences, net | 136,587 | 17,182 | (34,147) | 119,622 | 29,906 |
| Net pension liability | 5,359,317 | 1,261,798 | (707,109) | 5,914,006 | - |
| Other postemployment benefits | 1,352,908 | 106,732 | (41,532) | 1,418,108 | - |
| Total Business-type Activities: Water | <u>8,048,812</u> | <u>1,385,712</u> | <u>(862,788)</u> | <u>8,571,736</u> | <u>109,906</u> |
| Business-type Activities: Sewer | | | | | |
| Bond and note debt | 925,000 | 119,900 | (65,000) | 979,900 | 88,980 |
| Total Business-type Activities: Sewer | <u>925,000</u> | <u>119,900</u> | <u>(65,000)</u> | <u>979,900</u> | <u>88,980</u> |
| Total Business-type Activities: All | <u>\$ 8,973,812</u> | <u>\$ 1,505,612</u> | <u>\$ (927,788)</u> | <u>\$ 9,551,636</u> | <u>\$ 198,886</u> |
| Total Long-term Obligations | <u>\$ 178,451,539</u> | <u>\$ 26,762,815</u> | <u>\$ (17,247,396)</u> | <u>\$ 187,966,958</u> | <u>\$ 3,012,799</u> |

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

The following is a summary of outstanding long-term debt obligations as of June 30, 2017:

| Description of Issue | Interest Rate | Beginning Balance | Additions | Maturities | Ending Balance |
|--|------------------|----------------------|-------------------|-----------------------|----------------------|
| <u>Governmental Activities:</u> | | | | | |
| General obligation bonds | 2.00 - 4.50% | \$ 37,915,000 | \$ - | \$ (1,940,000) | \$ 35,975,000 |
| MA Water Resources Authority notes | 0.00% | 185,700 | - | (19,979) | 165,721 |
| Total Governmental Activities | | <u>\$ 38,100,700</u> | <u>\$ -</u> | <u>\$ (1,959,979)</u> | <u>\$ 36,140,721</u> |
| <u>Business-type Activities - Water</u> | | | | | |
| General obligation bond | 2.00 - 4.50% | \$ 1,200,000 | \$ - | \$ (80,000) | \$ 1,120,000 |
| Total Water | | <u>1,200,000</u> | <u>-</u> | <u>(80,000)</u> | <u>1,120,000</u> |
| <u>Business-type Activities - Sewer</u> | | | | | |
| General obligation bond | 2.00 - 5.25% | 925,000 | - | (65,000) | 860,000 |
| MA Water Resources Authority notes | 0% | - | 119,900 | - | 119,900 |
| Total Sewer | | <u>925,000</u> | <u>119,900</u> | <u>(65,000)</u> | <u>979,900</u> |
| Total Business-type Activities | | <u>\$ 2,125,000</u> | <u>\$ 119,900</u> | <u>\$ (145,000)</u> | <u>\$ 2,099,900</u> |
| Total Bond and Note Debt | | | | | <u>\$ 38,240,621</u> |

There was no authorized and unissued debt as of June 30, 2017.

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 | |
| 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 | 1,782,654 | 1,094,874 | - | 1,094,874 | 2,877,528 |
| 2023-2027 | 8,882,654 | 4,253,841 | - | 4,253,841 | 13,136,495 |
| 2028-2032 | 8,835,000 | 2,700,450 | - | 2,700,450 | 11,535,450 |
| 2033-2037 | 8,825,000 | 1,059,000 | - | 1,059,000 | 9,884,000 |
| Total | <u>\$ 36,140,721</u> | <u>\$ 14,358,607</u> | <u>\$ (7,895)</u> | <u>\$ 14,350,712</u> | <u>\$ 50,491,433</u> |

| Year Ending June 30, | Business-Type Activities: Water | | | | |
|-------------------------|---------------------------------|-------------------|-------------|-------------------|---------------------|
| | Principal | Interest | | | Total |
| | Gross | Gross | Subsidized | Net | |
| 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 | 80,000 | 25,600 | - | 25,600 | 105,600 |
| 2023-2027 | 400,000 | 91,710 | - | 91,710 | 491,710 |
| 2028-2032 | 320,000 | 24,450 | - | 24,450 | 344,450 |
| Total | <u>\$ 1,120,000</u> | <u>\$ 274,440</u> | <u>\$ -</u> | <u>\$ 274,440</u> | <u>\$ 1,394,440</u> |

| Year Ending June 30, | Business-Type Activities: Sewer | | | | |
|-------------------------|---------------------------------|-------------------|-------------|-------------------|---------------------|
| | Principal | Interest | | | Total |
| | Gross | Gross | Subsidized | Net | |
| 2018 | \$ 88,980 | \$ 29,302 | \$ - | \$ 29,302 | \$ 118,282 |
| 2019 | 88,980 | 26,540 | - | 26,540 | 115,520 |
| 2020 | 88,980 | 23,940 | - | 23,940 | 112,920 |
| 2021 | 88,980 | 21,340 | - | 21,340 | 110,320 |
| 2022 | 83,980 | 19,200 | - | 19,200 | 103,180 |
| 2023-2027 | 300,000 | 68,782 | - | 68,782 | 368,782 |
| 2028-2032 | 240,000 | 18,338 | - | 18,338 | 258,338 |
| Total | <u>\$ 979,900</u> | <u>\$ 207,442</u> | <u>\$ -</u> | <u>\$ 207,442</u> | <u>\$ 1,187,342</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. Stand-alone audited financial statements for the year ended December 31, 2016 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 \$5,704,192 to the System in fiscal year 2017, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 28.9% in fiscal year 2017.

Net Pension Liability – At June 30, 2017, the Town reported a liability of \$82,103,885 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2016 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, 2016. 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 5.79% at December 31, 2016, which was consistent with the proportion measured at January 1, 2016.

Pension Expense – The Town recognized \$8,984,566 in pension expense in the statement of activities in fiscal year 2017.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 369,770 | \$ - |
| Changes of assumptions | 4,473,551 | - |
| Net difference between projected and actual earnings on pension plan investments | 3,408,780 | - |
| Changes in proportion and difference between Town contributions and proportionate share of contributions | <u>280,816</u> | <u>544,262</u> |
| | <u>\$ 8,532,917</u> | <u>\$ 544,262</u> |

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):

| Year ended June 30, | |
|------------------------|---------------------|
| 2018 | \$ 2,208,413 |
| 2019 | 2,208,413 |
| 2020 | 2,149,642 |
| 2021 | <u>1,422,187</u> |
| Total | <u>\$ 7,988,655</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, 2016. The significant actuarial assumptions used in the January 1, 2016 actuarial valuation included:

| | |
|--------------------------------|---|
| Actuarial cost method: | Entry age normal cost method |
| Amortization method: | Prior year's total contribution increased by 6.5% for fiscal 2018 through fiscal 2024, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments |
| Remaining amortization period: | As of July 1, 2016, 3 years remaining for 2002 ERI liability, 4 years remaining for 2003 ERI liability, 6 years remaining for 2010 ERI liability, and 19 years for remaining unfunded liability |
| Asset valuation method: | The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period. Asset value is adjusted as necessary to be within 20% of the market value. |
| Inflation rate: | 3.50% |
| Projected salary increases: | Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2, and 4.75% for Group 4 |
| Cost of living adjustments: | 3% on the first \$14,000 of retirement income |
| Rates of retirement: | Varies based upon age for general employees, police, and fire employees. |
| Rates of disability: | |
| General employees – | Assumed that 45% of all disabilities are ordinary (55% are service connected) |
| Police and Fire employees – | Assumed that 10% of all disabilities are ordinary (90% are service connected) |
| Mortality rates: | |
| Pre-Retirement – | The RP-2000 Employee Mortality Table projected generationally from 2009 with Scale BB2D. |
| Post-Retirement – | The RP-2000 Employee Mortality Table projected generationally from 2009 with Scale BB2D. |

Disabled Retiree –

The RP-2000 Healthy Annuitant Mortality Table projected generationally from 2015 with Scale BB2D.

Investment rate of return /
Discount rate

7.75%, net of pension plan investment expense, including inflation (previously 7.875%)

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, 2016 are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return | Long-Term Expected Asset Allocation |
|---------------------------------|---|--|
| Domestic equity | 7.50% | 19.50% |
| International equity | 7.83% | 16.80% |
| Emerging markets equity | 9.61% | 6.90% |
| Core fixed income | 3.75% | 12.30% |
| Value-added fixed income | 7.26% | 8.30% |
| Private equity | 9.50% | 11.10% |
| Real estate | 6.50% | 10.00% |
| Timber/natural resources | 6.00% | 3.60% |
| Hedge funds | 6.48% | 9.00% |
| Liquidating portfolios | 6.48% | 0.40% |
| Portfolio completion strategies | 6.48% | 1.10% |
| Overlay | 6.48% | 1.00% |
| Total | | 100.00% |

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2016 actuarial valuation report was 7.75%, which was a reduction from the previous discount rate of 7.875%. 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 Retirement 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 7.75% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

| | 1% Decrease (6.75%) | Current Discount (7.75%) | 1% Increase (8.75%) |
|--|--------------------------------|---|--------------------------------|
| Town's proportionate share of the net pension liability | \$ 99,147,897 | \$ 82,103,885 | \$ 67,699,368 |

The Town established a pension stabilization fund in 2016 and has made annual contributions to this stabilization in each of the last two years including \$500,000 during 2017. The fund currently maintains a balance of nearly \$1.3 million.

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, 2017, the Commonwealth contributed \$4,295,622 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 0.381975%, 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 | \$ 85,401,624 | \$ (85,401,624) | \$ — |
| Pension expense | 8,711,525 | (8,711,525) | — |

The Town has recognized intergovernmental revenue and pension expense of \$8,711,525 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, 2017, the amount of the liability for health insurance claims totaled \$679,916. 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, 2014, 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 2017 | \$ 610,010 | \$ 13,039,180 | \$(14,329,106) | \$ 679,916 | \$ 679,916 |
| 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 |

D. Other Post-Employment Benefits (OPEB)

Plan Description – The Town administers a cost sharing single-employer defined benefit healthcare plan (the "Plan"). The Plan provides health and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Massachusetts General Law Chapter 32B Section 20. 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 self-funded insurance program described previously. The Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town's financial statements.

Under Chapter 32B Section 20 the Town Treasurer is the custodian of the Plan and since the Town has not designated a Board of Trustees the Town Treasurer under this general law is also the Trustee and as such, is responsible for the general supervision of the management, investment and reinvestment of the Plan assets. Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund board of trustees, be invested in the State Retiree Benefits

Trust Fund established in Section 24 of Chapter 32A. Plan assets shall be segregated from other funds and shall not be subject to the claims of any general creditor of the Town.

For the year ended June 30, 2017 the Town records its net OPEB obligation as highlighted under GASB 45, however note disclosures are also presented under this caption for the Town's OPEB Plan since those note disclosures are required under GASB 74. All GASB 45 references will be removed in the fiscal year ended June 30, 2018 as they will no longer be applicable.

Plan Membership - At June 30, 2017, membership in the Plan consisted of:

| | |
|--------------------|--------------|
| Inactive employees | 598 |
| Active employees | 720 |
| Total | <u>1,318</u> |

Contributions – The contribution requirements of Plan members and the Town are established and may be amended by the Town, through negotiation with the Town employee unions. Retirees contribute 10–20 percent of the calculated contribution through pension benefit deductions. The remainder of the cost is funded by the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions of \$1,000,000 annually. The costs of administering the Plan are paid by the Town.

Investments – The investment policy for Plan assets is that used for all the Town's other trust funds; this requires the Town Treasurer to invest in instruments included on the State legal list.

Investment Concentration - The Plan did not maintain investments in any one organization that represented more than 5% of the Fiduciary Net Position of the Plan.

Rate of Return - For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 13.37 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The following was the adopted asset allocation policy as of June 30, 2017:

| Asset Class | Target Allocation |
|---|-------------------|
| Domestic Equity - Large Cap | 14.50% |
| Domestic Equity - Small/Mid Cap | 3.50% |
| International Equity - Developed Market | 16.00% |
| International Equity - Emerging Market | 6.00% |
| Domestic Fixed Income | 20.00% |
| International Fixed Income | 3.00% |
| Alternatives | 23.00% |
| Real Estate | 14.00% |
| Cash | 0.00% |
| | <u>100.00%</u> |

Net OPEB Liability – The components of the Net OPEB Liability of the Town are as follows as calculated using the methodology highlighted in GASB 74:

| | |
|-----------------------------|-----------------------|
| Total OPEB liability | \$ 110,061,710 |
| Plan Fiduciary Net Position | (2,973,650) |
| Net OPEB liability | <u>\$ 107,088,060</u> |

Plan Fiduciary Net Position as
a percentatge of total liability 2.7%

Actuarial assumptions - The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---------------------------------|---|
| Investment rate of return | 7.04%, net of OPEB plan investment expense, including inflation. |
| Single Equivalent Discount Rate | 5.00%, net of OPEB plan investment expense including inflation. |
| Inflation | 2.75% annually as of June 30, 2017 and for future periods. |
| Salary Increases | 3.00% annually as of June 30, 2017 and for future periods. |
| Cost of Living Adjustment | Not applicable. |
| Pre-Retirement Mortality | RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females |
| Post-Retirement Mortality | RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females |
| Disabled Mortality | RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females |

Changes in Assumptions: Effective June 30, 2017- The following changes in assumptions were made as compared to the actuarial valuation used in prior years:

- The discount rate was reduced to 4.00% from 4.50%.
- The Pre-Retirement Mortality: RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females. Previously the RP-2000 Mortality Table projected generationally with scale AA and base year 2010.
- The Post Retirement Mortality: RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females. Previously the RP-2000 Mortality Table projected generationally with scale AA and base year 2010.
- Actuarial Cost Method Entry Age Normal – Previously Projected Unit Credit.

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 (see the discussion of investment policy) are summarized in the following table:

| Asset Class | Expected Investment Rate of Return |
|---|--|
| Domestic Equity - Large Cap | 4.00% |
| Domestic Equity - Small/Mid Cap | 6.00% |
| International Equity - Developed Market | 4.50% |
| International Equity - Emerging Market | 7.00% |
| Domestic Fixed Income | 2.00% |
| International Fixed Income | 3.00% |
| Alternatives | 6.50% |
| Real Estate | 6.25% |
| Cash | 0.00% |
| Real rate of return | 4.79% |
| Inflation assumption | 2.75% |
| Total nominal rate of return | 7.54% |
| Investment expense | 0.50% |
| Net investment return | 7.04% |

Discount rate - The discount rate used to measure the total OPEB liability was 5.0 percent. This was a blended rate of (1) the long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that the Plan's fiduciary net position is projected to be sufficient to make projected benefit payments and are invested using a strategy to achieve that return and; (2) a yield rate for a 20 year, tax exempt general obligation municipal bond with an average rating of AA/Aa or higher when the conditions in (1) are not met.

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

| | 1% Decrease (4%) | Current Discount Rate (5%) | 1% Increase (6%) |
|--------------------|------------------|-------------------------------|------------------|
| Net OPEB Liability | \$ 124,573,164 | \$ 107,088,060 | \$ 93,033,547 |
| Service Cost | 4,666,083 | 3,581,033 | 2,779,256 |

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

| | | Healthcare | |
|--------------------|------------------|-----------------|------------------|
| | 1% Decrease (4%) | Trend Rate (5%) | 1% Increase (6%) |
| Net OPEB Liability | \$ 86,455,542 | \$ 107,088,060 | \$ 133,359,913 |
| Service Cost | 2,547,971 | 3,581,033 | 5,003,218 |

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 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) | \$ 7,746,715 |
| Interest on net OPEB obligation | 2,926,116 |
| Adjustment to ARC | (3,625,676) |
| Amortization of actuarial (gains)/losses | 1,254,786 |
| Annual OPEB cost | 8,301,941 |
| Contributions made | (4,457,544) |
| Increase in net OPEB obligation | 3,844,397 |
| Net OPEB obligation at beginning of year | 58,522,331 |
| Net OPEB obligation at end of year | \$ 62,366,728 |

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

| Fiscal Year | Annual OPEB | Percentage | Net OPEB |
|---------------|-------------|-------------|--------------|
| Ending | Cost | of AOPEBC | Obligation |
| | | Contributed | |
| June 30, 2017 | 8,301,941 | 53.7% | \$62,366,728 |
| June 30, 2016 | 10,650,840 | 38.8% | \$58,522,331 |
| June 30, 2015 | 9,899,239 | 36.6% | \$45,728,820 |

The annual OPEB cost of \$8,301,941 was allocated to functional items as follows:

| | | |
|---------------------------|----|------------------|
| General Government | \$ | 1,389,227 |
| Public Safety | | 1,237,513 |
| Education | | 4,459,045 |
| Public Works | | 883,836 |
| Health and Human Services | | 87,768 |
| Culture and Recreation | | 137,820 |
| Water | | 137,820 |
| | \$ | <u>8,333,029</u> |

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2017, based on the most recent actuarial valuation performed as of July 1, 2016, was as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll (b-a/c) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| 7/1/2016 | \$ 2,973,650 | \$ 104,812,462 | \$ 101,838,812 | 2.84% | \$ 52,713,988 | 193.2% |

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. The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

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 | June 30, 2017 |
| Actuarial cost method | Individual Entry Age |
| Amortization method | Level Percent of Payroll |
| Remaining amortization period | 30 years |
| Interest discount rate | 5.00% |
| Inflation rate | 2.75% |
| Healthcare/Medical cost trend rate | 5.00% |
| Salaries | 3.00% |

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, 2017, 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, 2017.

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 \$591,041 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 Implementations –

In June 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. GASB 74’s objective was 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 became effective for the Town in fiscal year 2017. The adoption of GASB No. 74 had a material effect on the Town’s note disclosures.

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 became effective for the Town in fiscal year 2017. The adoption of GASB No. 77 did not have a material effect on the Town.

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 were 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 of local governmental employer. The provisions of this Statement became effective for the Town in fiscal year 2017. The adoption of GASB No. 78 did not have a material effect on the Town.

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 became effective for the Town in fiscal year 2017. The adoption of GASB No. 80 did not have a material effect on the Town.

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 73 was to address issues raised with respect to previously issued statements related to pensions. The provisions of this Statement became effective for the Town in fiscal year 2017. The adoption of GASB No. 82 did not have a material effect on the Town.

Future Implementations –

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 expects 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 November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement is to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2017, the GASB issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of the Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. 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 June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). 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, 2017**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY***(dollar amounts are in thousands)*

| | Year Ended December 31, | | |
|---|-------------------------|-----------|-----------|
| | 2016 | 2015 | 2014 |
| Town's proportion of the net pension liability (asset) | 5.794710% | 5.767602% | 5.810207% |
| Town's proportionate share of the net pension liability (asset) | \$ 82,103 | \$ 74,403 | \$ 69,799 |
| Town's covered-employee payroll | \$ 21,440 | \$ 21,103 | \$ 20,291 |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 382.94% | 352.57% | 343.99% |
| Plan fiduciary net position as a percentage of the total pension liability | 45.49% | 46.13% | 47.65% |

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

| | Year Ended June 30, | | |
|--|---------------------|-----------|-----------|
| | 2017 | 2016 | 2015 |
| Actuarially determined contribution | \$ 5,704 | \$ 5,342 | \$ 4,953 |
| Contributions in relation to the actuarially determined contribution | 5,704 | 5,342 | 4,953 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - |
| Town's covered-employee payroll | \$ 21,440 | \$ 21,103 | \$ 20,291 |
| Contributions as a percentage of covered-employee payroll | 26.60% | 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, 2017

**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, | | |
|---|-------------------------|---------------|---------------|
| | 2016 | 2015 | 2014 |
| Commonwealth's proportion of the collective net pension liability (asset) | 100.0% | 100.0% | 100.0% |
| Town's proportion of the collective net pension liability (asset) | 0.0% | 0.0% | 0.0% |
| Commonwealth's proportionate share of the net pension liability (asset) | \$ 22,357,928 | \$ 20,489,643 | \$ 15,896,354 |
| Commonwealth's actuarially determined contribution | \$ 2,280,655 | \$ 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, 2017**

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) |
| 7/1/2016 | \$ 2,973,650 | \$ 104,812,462 | \$ 101,838,812 | 2.84% | \$ 52,713,988 | 193.2% |
| 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 |
| 2017 | 8,301,941 | 4,457,545 | 53.7% |
| 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**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2017**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS**

| | <u>2017</u> |
|--|----------------------------------|
| Total OPEB liability: | |
| Service cost | \$ 3,382,431 |
| Interest | 5,324,361 |
| Changes in benefit terms | - |
| Changes of benefit terms | - |
| Differences between expected and actual experience | - |
| Changes in assumptions | - |
| Benefit payments | (3,457,544) |
| Net change in total OPEB liability | <u>5,249,248</u> |
| Total OPEB liability - beginning of year | <u>104,812,462</u> |
| Total OPEB liability - end of year (a) | <u><u>\$ 110,061,710</u></u> |
| Plan fiduciary net position: | |
| Contributions - employer | \$ 4,457,544 |
| Net investment income | 310,063 |
| Benefit payments | (3,457,544) |
| Administrative expenses | - |
| Other | - |
| Net change in Plan fiduciary net position | <u>1,310,063</u> |
| Plan fiduciary net position - beginning of year | <u>1,663,587</u> |
| Plan fiduciary net position - end of year (b) | <u><u>\$ 2,973,650</u></u> |
| Net OPEB liability - end of year (a) - (b) | <u><u>\$ 107,088,060</u></u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 2.70% |
| Covered-employee payroll | \$ 52,713,988 |
| Net OPEB liability as a percentage of covered- employee payroll | 203.15% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

Note: This schedule is presented using the optional format of combining the required schedules in paragraphs 36a and 36b.

See independent auditors' report.

TOWN OF WILMINGTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEARS ENDED JUNE 30, 2017**

**SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

| | <u>2017</u> |
|--|---|
| Actuarially-determined contribution | \$ 9,772,890 |
| Contributions in relation to the actuarially-determined contribution | <u>(4,457,544)</u> |
| Contribution deficiency (excess) | <u>\$ 5,315,346</u> |
| Covered-employee payroll | \$ 52,713,988 |
| Contribution as a percentage of covered-employee payroll | 8.46% |
| Valuation Date | June 30, 2017 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Amortization Period | 30 years |
| Asset Valuation Method | Market Value of Assets as of Reporting Date |
| Inflation | 2.75% |
| Healthcare cost trend rates | 5.00% |
| Salary increases | 3.00% |
| Investment rate of return | 2.75% |

**SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS**

| | <u>2017</u> |
|---|-------------|
| Annual money-weighted rate of return, net of investment expense | 13.37% |

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF WILMINGTON, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2017

| | Budgeted Amounts | | Actual Budgetary Amounts | Encumbrances | Actual Budgetary Adjusted | Variance Positive (Negative) |
|---|--------------------|-----------------|--------------------------------|--------------|---------------------------------|------------------------------------|
| | Original Budget | Final Budget | | | | |
| Revenues: | | | | | | |
| Property taxes | \$ 76,198,449 | \$ 76,198,449 | \$ 76,715,039 | \$ - | \$ 76,715,039 | \$ 516,590 |
| Intergovernmental | 13,975,116 | 13,975,116 | 14,502,289 | - | 14,502,289 | 527,173 |
| Motor vehicle and other excise | 3,800,000 | 3,800,000 | 4,680,955 | - | 4,680,955 | 880,955 |
| Departmental and other revenue | 3,531,800 | 3,531,800 | 4,058,311 | - | 4,058,311 | 526,511 |
| Licenses and permits | 500,000 | 500,000 | 707,178 | - | 707,178 | 207,178 |
| Penalties and interest on taxes | 300,000 | 300,000 | 676,469 | - | 676,469 | 376,469 |
| Fines and forfeitures | 80,000 | 80,000 | 91,646 | - | 91,646 | 11,646 |
| Investment income | 190,000 | 190,000 | 378,663 | - | 378,663 | 188,663 |
| Total Revenues | 98,575,365 | 98,575,365 | 101,810,550 | - | 101,810,550 | 3,235,185 |
| Expenditures: | | | | | | |
| General government | 10,297,976 | 9,916,099 | 8,435,702 | 626,783 | 9,062,485 | 853,614 |
| Public safety | 10,326,937 | 10,572,790 | 10,412,546 | 2,045 | 10,414,591 | 158,199 |
| Education | 42,902,287 | 42,822,287 | 42,090,285 | 693,973 | 42,784,258 | 38,029 |
| Public works | 10,276,585 | 10,626,909 | 9,986,806 | 222,383 | 10,209,189 | 417,720 |
| Health and human services | 1,097,836 | 1,140,201 | 939,561 | 367 | 939,928 | 200,273 |
| Culture and recreation | 1,324,483 | 1,328,388 | 1,293,097 | 3,512 | 1,296,609 | 31,779 |
| Pension and fringe benefits | 20,852,159 | 20,671,589 | 18,787,050 | 2,628 | 18,789,678 | 1,881,911 |
| State and county tax assessments | 839,751 | 839,751 | 766,641 | - | 766,641 | 73,110 |
| Debt service | 3,823,584 | 3,823,584 | 3,822,910 | - | 3,822,910 | 674 |
| Total Expenditures | 101,741,598 | 101,741,598 | 96,534,598 | \$ 1,551,691 | 98,086,289 | 3,655,309 |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in | 1,351,181 | 1,351,181 | 1,351,181 | | 1,351,181 | - |
| Transfers out | (3,000,000) | (3,000,000) | (3,000,000) | | (3,000,000) | - |
| Total Other Financing Sources (Uses) | (1,648,819) | (1,648,819) | (1,648,819) | | (1,648,819) | - |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE | (4,815,052) | (4,815,052) | \$ 3,627,133 | | \$ 2,075,442 | \$ 6,890,494 |
| Other Budgetary Items: | | | | | | |
| Prior year encumbrances | 1,351,686 | 1,351,686 | | | | |
| Available surplus | 3,500,000 | 3,500,000 | | | | |
| Other | (36,634) | (36,634) | | | | |
| Total Other Budgetary Items | 4,815,052 | 4,815,052 | | | | |
| 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, 2017

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 2017, 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 | | | \$101,810,550 |
| MTRS on-behalf payments | \$ 8,711,525 | \$ - | 8,711,525 |
| Stabilization interest | - | 45,824 | 45,824 |
| Allowance for potential tax abatement | (91,403) | - | (91,403) |
| Allocation of ambulance management fees | 628,875 | - | 628,875 |
| Sewer revenues reported in sewer fund | - | (2,656,917) | (2,656,917) |
| Revenues on a GAAP basis | <u>\$ 9,248,997</u> | <u>\$ (2,611,093)</u> | <u>\$108,448,454</u> |
| Expenditures on a budgetary basis | | | \$ 96,534,598 |
| Water enterprise indirect cost reclasses | \$ - | \$ (1,311,181) | (1,311,181) |
| Sewer expenditures reported in sewer fund | - | (2,902,539) | (2,902,539) |
| MTRS on-behalf payments | 8,711,525 | - | 8,711,525 |
| Allocation of ambulance management fees | 628,875 | - | 628,875 |
| Other postemployment benefits trust contributions | - | 1,000,000 | 1,000,000 |
| Expenditures on a GAAP basis | <u>\$ 9,340,400</u> | <u>\$ (3,213,720)</u> | <u>\$102,661,278</u> |
| Net transfers on a budgetary basis | | | \$ (1,648,819) |
| Water enterprise indirect cost reclasses | \$ - | \$ (1,311,181) | (1,311,181) |
| Sewer transfers of net activity to the sewer fund | - | (245,622) | (245,622) |
| 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>\$ 1,443,197</u> | <u>\$ (205,622)</u> |