

TOWN OF WAREHAM, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2016

TOWN OF WAREHAM, MASSACHUSETTS

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JUNE 30, 2016

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Wareham, 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 Wareham, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wareham, Massachusetts, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with 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 February 27, 2017, on our consideration of the Town of Wareham's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wareham's internal control over financial reporting and compliance.

Powers + Sullivan, LLC

February 27, 2017

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Wareham, we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2016. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

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

Financial Highlights

- The Town's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of 2016 by \$90.2 million (net position).
- At the end of 2016, unassigned fund balance for the general fund was \$6.2 million or 10.1% of total general fund expenditures.
- The general fund operations resulted in a \$2.4 million increase in fund balance.
- Wareham's long-term debt decreased by \$2.1 million during the year. This is directly attributable to the net effect of \$1.2 million of governmental debt issued in the current year, offset by \$3.3 million in total principal pay downs. See Note 8 for more information.
- The Town's other postemployment benefit liability increased by \$4.9 million during 2016 to a balance of \$37.2 million.
- The Town's net pension liability increased by \$2.7 million during 2016 to a balance of \$33.9 million.
- At year end, the Town's internal service fund balance was \$367 thousand, which is a decrease of \$1.3 million from the prior year. This decrease is directly attributable to the Town's run off expenses related to previous claims when the Town was self-insured for health and dental. The Town is no longer self-insured for their dental activities as of September 1, 2015, and went to premium based health insurance in the previous year. Please see Note 10 for more information.

Overview of the Financial Statements

Our discussion and analysis of the Town is intended to serve as an introduction to the Town of Wareham'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 analysis also contains other required supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the Town's assets, deferred outflows, liabilities, and deferred inflows with the difference between them 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 Town's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g., uncollected taxes and earned but unused sick and vacation time).

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

The government-wide financial statements have no component units.

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

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

The Town had previously implemented GASB #54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The implementation of this standard has changed the fund balance components into nonspendable, restricted, committed, assigned and unassigned. Additionally, under the new standard, the Town's stabilization fund is reported within the general fund as unassigned.

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 activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Wareham maintains approximately 320 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 which is the Town's major governmental fund. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation, the non-major fund.

The Town of Wareham adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided as Required Supplementary Information for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water pollution control facility activities. *Internal service funds* are

an accounting device used to accumulate and allocate costs internally among various functions. The Town uses an internal service fund to account for health and dental insurance activities. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. As of the end of 2016, the Town is no longer self-insured for health or dental insurance activities. See Note 10 for more information.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water pollution control facility which is considered to be a major fund of the Town. The internal service fund is presented as a single column in the proprietary fund financial statements.

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.

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

Government-wide Financial Analysis

Governmental Activities

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As noted below, assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$26.5 million at the close of 2016.

	2016		2015
	Governmental		Governmental
	Activities		Activities
Assets:			
Current assets.....	\$ 23,867,741	\$	21,729,560
Noncurrent assets (excluding capital).....	1,685,201		1,906,617
Capital assets.....	72,230,860		73,380,407
Total assets.....	97,783,802		97,016,584
Deferred outflows of resources:			
Deferred outflows of resources related to pensions.....	3,694,958		1,365,761
Liabilities:			
Current liabilities (excluding debt).....	2,898,301		3,319,114
Noncurrent liabilities (excluding debt).....	68,621,989		61,960,202
Current debt.....	1,014,583		1,390,347
Noncurrent debt.....	2,372,059		1,879,806
Total liabilities.....	74,906,932		68,549,469
Deferred inflows of resources:			
Deferred inflows of resources related to pensions.....	105,587		-
Net position:			
Net investment in capital assets.....	70,230,684		71,271,989
Restricted.....	7,729,252		6,541,520
Unrestricted.....	(51,493,695)		(47,980,633)
Total net position.....	\$ 26,466,241	\$	29,832,876

A significant portion of the Town's governmental net position, \$70.2 million, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to 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, \$7.7 million, 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 \$51.5 million. The deficit is the result of the net pension liability of \$31.4 million along with the other postemployment benefits liability of \$36.4 million. These are long term unfunded liabilities that will not require significant short term resources.

The governmental activities net position decreased by \$3.4 million during the current year. This was primarily due to the other postemployment benefit liability increase of \$4.9 million, the net pension liability increase of \$1.8 and the fact that depreciation exceeded principal payments on bonds by \$2.9 million. These increases were offset by the receipt of \$2.3 million of capital grants, a \$2.4 million surplus in the general fund, as well as a \$2.2 million increase in the deferred outflows related to pensions.

Key elements of change in net position are as follows:

	2016 Governmental Activities	2015 Governmental Activities
Program revenues:		
Charges for services.....	\$ 5,709,672	\$ 5,533,752
Operating grants and contributions.....	21,453,312	21,218,198
Capital grants and contributions.....	2,303,320	1,806,772
General Revenues:		
Real estate and personal property taxes.....	35,679,691	34,200,159
Tax liens.....	566,301	552,786
Motor vehicle and other excise taxes.....	3,388,921	3,139,999
Penalties and interest on taxes.....	290,381	627,243
Community preservation surtax.....	656,482	630,766
Grants and contributions not restricted to specific programs.....	3,586,809	3,110,081
Unrestricted investment income.....	243,976	31,034
Miscellaneous.....	172,207	81,648
Total revenues.....	74,051,072	70,932,438
Expenses:		
General government.....	7,730,194	8,005,565
Public safety.....	10,282,023	9,569,539
Education.....	53,338,842	50,266,941
Public works.....	5,077,085	4,895,339
Human services.....	1,142,873	1,188,281
Community preservation.....	119,970	127,192
Culture and recreation.....	541,413	472,551
Interest.....	58,263	94,746
Total expenses.....	78,290,663	74,620,154
Excess (Deficiency) before transfers.....	(4,239,591)	(3,687,716)
Transfers.....	872,956	823,543
Change in net position.....	(3,366,635)	(2,864,173)
Net position - beginning.....	29,832,876	32,697,049
Net position - ending.....	\$ 26,466,241	\$ 29,832,876

The governmental expenses totaled \$78.3 million of which \$29.5 million was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$44.6 million, primarily consisting of property taxes, motor vehicle excise and non-restricted state aid.

The primary reason for the increase in education expenses is related to an increase in the Massachusetts's Teachers Retirement System contribution made by the Commonwealth of Massachusetts. On-behalf of teachers.

Business-type activities – Water Pollution Control Facility

Business-type activities assets and deferred outflows exceeded liabilities and deferred inflows by \$64 million as the close of year 2016. The following table identifies key elements of the enterprise operations:

	2016 Business-type Activities	2015 Business-type Activities
Assets:		
Current assets.....	\$ 16,401,922	\$ 15,444,958
Noncurrent assets (excluding capital).....	14,891,372	16,636,530
Capital assets.....	62,188,809	64,225,853
Total assets.....	<u>93,482,103</u>	<u>96,307,341</u>
Deferred outflows of resources:		
Deferred outflows of resources related to pensions.....	<u>303,980</u>	<u>77,454</u>
Liabilities:		
Current liabilities (excluding debt).....	564,321	875,452
Noncurrent liabilities (excluding debt).....	3,427,102	2,403,648
Current debt.....	2,816,122	2,764,395
Noncurrent debt.....	23,277,263	26,093,385
Total liabilities.....	<u>30,084,808</u>	<u>32,136,880</u>
Deferred inflows of resources:		
Deferred inflows of resources related to pensions.....	<u>8,686</u>	<u>-</u>
Net position:		
Net investment in capital assets.....	44,180,350	47,592,752
Unrestricted.....	19,512,239	16,655,163
Total net position.....	<u>\$ 63,692,589</u>	<u>\$ 64,247,915</u>
Program revenues:		
Charges for services.....	\$ 6,661,891	\$ 6,647,853
Operating grants and contributions.....	-	42,075
Capital grants and contributions.....	1,000,103	660,848
General Revenues:		
Unrestricted investment income.....	50,085	44,347
Total revenues.....	<u>7,712,079</u>	<u>7,395,123</u>
Expenses:		
Water Pollution Control Facility.....	<u>7,394,449</u>	<u>6,522,743</u>
Excess (Deficiency) before transfers.....	317,630	872,380
Transfers.....	<u>(872,956)</u>	<u>(823,543)</u>
Change in net position.....	(555,326)	48,837
Net position - beginning.....	64,247,915	64,199,078
Net position - ending.....	<u>\$ 63,692,589</u>	<u>\$ 64,247,915</u>

Business-type net position of \$44.2 million represents the investment in capital assets, while \$19.5 million is unrestricted. The Town's business-type activity net position decreased by \$555 thousand during the current year. This decrease is primarily due to a \$873 thousand transfer to the general fund for indirect costs associated with the operations of the Water Pollution Control Facility, and an increase in net pension liability of \$906 thousand. These decreases were offset by the recognition of \$1.0 million of capital grants and an increase in the deferred outflows related to pensions of \$227 thousand.

Financial Analysis of the Town's Governmental 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 year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$14.9 million, of which \$7.2 million relates to the general fund and \$7.7 million relates to the nonmajor funds. Cumulatively there was an increase of \$3.3 million in fund balances from the prior year that is due to an increase of \$2.4 million in the general fund and an increase of \$842,000 in the nonmajor fund.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$6.2 million, while total fund balance was \$7.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 10.1% of total general fund expenditures, while total fund balance represents 11.6% of that same amount. During 2016, the fund balance of the general fund increased by \$2.4 million. This increase was primarily due to favorable general fund budgetary results and the receipt of \$374,000 of unbudgeted transfers in from the Ambulance and Hotel Tax funds.

The internal service fund ending net position was \$367,000. This is a decrease of \$1.3 million over the prior year. The decrease was primarily due to the runoff claims related to both health and dental claims that were paid during 2016. The Town is no longer self-insured for their health and dental activities. See Note 10 for more information on the Town's risk financing activities.

General Fund Budgetary Highlights

During the year there was an increase of \$440,000 in appropriations between the original and final amended budget. This was the net result of various appropriation increases at the October 2015 Fall and April 2016 Special Town Meetings with some of the largest being a \$176,000 increase in the Town's education budget primarily for school technology, and a \$162,000 increase in the Town's public works budget for snow and ice and street lighting.

Capital Asset and Debt Administration

Capital Asset Administration

The Town of Wareham's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to \$114.4 million (net of depreciation). This investment in capital assets includes land, buildings, improvements to land and buildings, machinery and equipment, vehicles, and infrastructure.

The total decrease in the Town of Wareham's investment in capital assets for the current year was \$4.5 million which consisted of a decrease of \$1.1 million for governmental activities and a decrease of \$3.4 million in the business-type activities. The decrease in governmental activities and business-type activities are due to the fact that current year depreciation exceeded current year capital additions.

Debt Administration

At the end of the current year, the Town of Wareham had total debt outstanding of \$29.5 million. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the government. Of this amount \$298,000 is in short term notes, and the remaining \$29.2 million is in outstanding long-term bonds, of which \$3.1 million relates to governmental and \$26.1 million relates to business-type activities. During 2016, the Town issued \$1.2 million and retired \$3.3 million of long-term debt.

The Town has authorized but unissued debt of \$7.6 million.

The Town has an "A1" rating from Moody's for issuing general obligation debt.

Please refer to notes 4, 7, and 8 for further discussion of the major capital and debt activity.

Economic Factors and Next Year's Budget

Major factors considered in preparing the Town's 2018 budget were:

- State Tuition Assessments continue to rise dramatically including an estimated \$769,500 in FY18 and have increased by 548% since FY13,
- Workers' Compensation insurance continues to rise by 15%,
- The Mayflower Municipal Health Group (MMHG) is experiencing high rate increases of 16% to their Traditional (Legacy) plans and 98% of non-retiree Wareham subscribers are in those plans,
- MMHG has moved from Medex III to a Medex II plan with a PDP, this plan will save on monthly costs for the Town and retirees, it will also help reduce the Town's OPEB liability,
- Local Receipts lead by motor vehicle excise tax have been a major driver for new revenues and the Town continues the conservative approach of budgeting a maximum of 90% of prior year actual earnings.

The FY 2018 budget represented a balance of prudence while continuing to deliver necessary services to the citizens of Wareham. However, this budget continues to reduce services that the residents receive and continues with unsustainable cuts to departments.

The Town's Stabilization Fund balance is now over 5% of the operating budget. With conservative investing it will require a minimum annual transfer of approximately \$100,000 to maintain the 5% balance. The Selectmen will adopt a new OPEB & Stabilization Fund Policy to include annual Free Cash contributions to the Town's OPEB Trust Fund through Plymouth County.

Requests for Information

This financial report is designed to provide a general overview of the Town of Wareham's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant at Wareham Town Hall, 54 Marion Road, Wareham, Massachusetts 02571.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2016

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 16,346,723	\$ 13,930,262	\$ 30,276,985
Investments.....	773,556	-	773,556
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	657,490	-	657,490
Tax liens.....	1,821,518	343,216	2,164,734
Motor vehicle excise taxes.....	595,741	-	595,741
User fees.....	-	934,210	934,210
Loans.....	220,392	-	220,392
Departmental and other.....	875,652	-	875,652
Special assessments.....	43,000	587,716	630,716
Intergovernmental.....	1,833,122	606,518	2,439,640
Tax foreclosures.....	700,547	-	700,547
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	3,675,543	3,675,543
Special assessments.....	382,022	11,215,829	11,597,851
Loans.....	1,303,179	-	1,303,179
Capital assets, non-depreciable.....	5,788,817	4,842,708	10,631,525
Capital assets, depreciable.....	66,442,043	57,346,101	123,788,144
TOTAL ASSETS.....	97,783,802	93,482,103	191,265,905
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	3,694,958	303,980	3,998,938
LIABILITIES			
CURRENT:			
Warrants payable.....	1,187,440	205,885	1,393,325
Tax refunds payable.....	238,000	-	238,000
Accrued interest.....	12,784	299,436	312,220
Payroll withholdings.....	355,635	-	355,635
Other liabilities.....	263	-	263
Capital lease obligations.....	113,179	-	113,179
Compensated absences.....	991,000	59,000	1,050,000
Notes payable.....	298,200	-	298,200
Bonds payable.....	716,383	2,816,122	3,532,505
NONCURRENT:			
Capital lease obligations.....	62,452	-	62,452
Compensated absences.....	786,000	31,000	817,000
Other postemployment benefits.....	36,397,319	814,812	37,212,131
Bonds payable.....	2,372,059	23,277,263	25,649,322
Net pension liability.....	31,376,218	2,581,290	33,957,508
TOTAL LIABILITIES.....	74,906,932	30,084,808	104,991,740
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	105,587	8,686	114,273
NET POSITION			
Net investment in capital assets.....	70,230,684	44,180,350	114,411,034
Restricted for:			
Streets.....	1,709,670	-	1,709,670
Community preservation.....	3,677,750	-	3,677,750
Permanent funds:			
Expendable.....	297,587	-	297,587
Nonexpendable.....	371,445	-	371,445
Grants and gifts.....	1,672,800	-	1,672,800
Unrestricted.....	(51,493,695)	19,512,239	(31,981,456)
TOTAL NET POSITION.....	\$ 26,466,241	\$ 63,692,589	\$ 90,158,830

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General government.....	\$ 7,730,194	\$ 2,437,874	\$ 349,084	\$ -	\$ (4,943,236)
Public safety.....	10,282,023	1,441,039	123,550	7,875	(8,709,559)
Education.....	53,338,842	915,985	20,816,572	62,451	(31,543,834)
Public works.....	5,077,085	398,188	14,347	2,031,323	(2,633,227)
Human services.....	1,142,873	331,883	137,893	-	(673,097)
Community preservation.....	119,970	-	-	201,671	81,701
Culture and recreation.....	541,413	184,703	11,866	-	(344,844)
Interest.....	58,263	-	-	-	(58,263)
Total Governmental Activities.....	78,290,663	5,709,672	21,453,312	2,303,320	(48,824,359)
Business-Type Activities:					
Water Pollution Control Facility.....	7,394,449	6,661,891	-	1,000,103	267,545
Total Primary Government.....	\$ 85,685,112	\$ 12,371,563	\$ 21,453,312	\$ 3,303,423	\$ (48,556,814)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (48,824,359)	\$ 267,545	\$ (48,556,814)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	35,679,691	-	35,679,691
Tax liens.....	566,301	-	566,301
Motor vehicle and other excise taxes.....	3,388,921	-	3,388,921
Penalties and interest on taxes.....	290,381	-	290,381
Community preservation surtax.....	656,482	-	656,482
Grants and contributions not restricted to specific programs.....	3,586,809	-	3,586,809
Unrestricted investment income.....	243,976	50,085	294,061
Miscellaneous.....	172,207	-	172,207
<i>Transfers, net</i>	872,956	(872,956)	-
Total general revenues and transfers.....	45,457,724	(822,871)	44,634,853
Change in net position.....	(3,366,635)	(555,326)	(3,921,961)
<i>Net Position:</i>			
Beginning of year.....	29,832,876	64,247,915	94,080,791
End of year.....	\$ <u>26,466,241</u>	\$ <u>63,692,589</u>	\$ <u>90,158,830</u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2016

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents.....	\$ 7,571,151	\$ 8,408,131	\$ 15,979,282
Investments.....	773,556	-	773,556
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	648,596	8,894	657,490
Tax liens.....	1,816,667	4,851	1,821,518
Motor vehicle excise taxes.....	595,741	-	595,741
Departmental and other.....	508,237	367,415	875,652
Special assessments.....	-	425,022	425,022
Intergovernmental.....	-	1,833,122	1,833,122
Loans.....	-	1,523,571	1,523,571
Tax foreclosures.....	700,547	-	700,547
TOTAL ASSETS.....	\$ 12,614,495	\$ 12,571,006	\$ 25,185,501
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Warrants payable.....	\$ 742,229	\$ 445,211	\$ 1,187,440
Tax refunds payable.....	238,000	-	238,000
Payroll withholdings.....	355,635	-	355,635
Other liabilities.....	263	-	263
Notes payable.....	-	298,200	298,200
TOTAL LIABILITIES.....	1,336,127	743,411	2,079,538
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues.....	4,125,895	4,108,855	8,234,750
FUND BALANCES			
Nonspendable.....	-	371,445	371,445
Restricted.....	-	7,347,295	7,347,295
Committed.....	875,999	-	875,999
Assigned.....	41,590	-	41,590
Unassigned.....	6,234,884	-	6,234,884
TOTAL FUND BALANCES.....	7,152,473	7,718,740	14,871,213
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 12,614,495	\$ 12,571,006	\$ 25,185,501

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

Total governmental fund balances.....	\$ 14,871,213
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	72,230,860
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	8,234,750
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....	3,589,371
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities.	
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....	367,441
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(12,784)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable.....	(3,088,442)
Capital lease obligations.....	(175,631)
Other postemployment benefits.....	(36,397,319)
Compensated absences.....	(1,777,000)
Net pension liability.....	(31,376,218)
Net effect of reporting long-term liabilities.....	(72,814,610)
Net position of governmental activities.....	<u>\$ 26,466,241</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ 35,691,891	\$ -	\$ 35,691,891
Community preservation surtax.....	-	656,760	656,760
Tax liens.....	496,856	5,906	502,762
Motor vehicle and other excise taxes.....	3,572,332	-	3,572,332
Charges for services.....	999,058	247,742	1,246,800
Penalties and interest on taxes.....	285,558	4,823	290,381
Fees and rentals.....	-	1,724,208	1,724,208
Licenses and permits.....	1,378,646	-	1,378,646
Fines and forfeitures.....	120,258	-	120,258
Intergovernmental.....	19,530,583	5,557,318	25,087,901
Departmental and other.....	-	1,286,930	1,286,930
Contributions.....	-	1,053,763	1,053,763
Investment income.....	216,595	27,031	243,626
Miscellaneous.....	172,207	-	172,207
TOTAL REVENUES.....	62,463,984	10,564,481	73,028,465
EXPENDITURES:			
Current:			
General government.....	2,635,218	1,673,358	4,308,576
Public safety.....	5,516,670	1,577,954	7,094,624
Education.....	30,089,212	5,390,542	35,479,754
Public works.....	2,564,515	945,774	3,510,289
Human services.....	540,252	153,607	693,859
Community preservation.....	-	596,865	596,865
Culture and recreation.....	177,215	99,633	276,848
Pension benefits.....	7,921,572	-	7,921,572
Employee benefits.....	7,953,322	-	7,953,322
State and county charges.....	3,565,048	-	3,565,048
Debt service:			
Principal.....	501,000	71,747	572,747
Interest.....	60,073	2,700	62,773
TOTAL EXPENDITURES.....	61,524,097	10,512,180	72,036,277
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	939,887	52,301	992,188
OTHER FINANCING SOURCES (USES):			
Issuance of bonds.....	-	1,208,636	1,208,636
Capital lease financing.....	187,549	-	187,549
Transfers in.....	1,486,801	194,968	1,681,769
Transfers out.....	(194,968)	(613,845)	(808,813)
TOTAL OTHER FINANCING SOURCES (USES).....	1,479,382	789,759	2,269,141
NET CHANGE IN FUND BALANCES.....	2,419,269	842,060	3,261,329
FUND BALANCES AT BEGINNING OF YEAR.....	4,733,204	6,876,680	11,609,884
FUND BALANCES AT END OF YEAR.....	\$ 7,152,473	\$ 7,718,740	\$ 14,871,213

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds.....	\$ 3,261,329
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	2,316,045
Depreciation expense.....	<u>(3,465,592)</u>
Net effect of reporting capital assets.....	(1,149,547)

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue..... 1,022,257

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Proceeds from bonds.....	(1,208,636)
Debt service principal payments.....	<u>572,747</u>
Net effect of reporting long-term debt.....	(635,889)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences.....	(97,000)
Net change in accrued interest on long-term debt.....	4,510
Net change in capital lease obligation.....	(70,326)
Net change in other postemployment benefits.....	(4,808,132)
Net change in deferred outflow/(inflow) of resources related to pensions.....	2,223,610
Net change in net pension liability.....	<u>(1,841,327)</u>
Net effect of recording long-term liabilities and amortizing deferred losses.....	(4,588,665)

Internal service funds are used by management to account for health insurance and workers' compensation activities.

The net activity of internal service funds is reported with Governmental Activities.....	<u>(1,276,120)</u>
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Change in net position of governmental activities.....	\$ <u><u>(3,366,635)</u></u>
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See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2016

	Business-type Activities - Water Pollution Control Facility	Governmental Activities - Internal Service Funds
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 13,930,262	\$ 367,441
Receivables, net of allowance for uncollectibles:		
User fees.....	934,210	-
Sewer liens.....	343,216	-
Special assessments.....	587,716	-
Intergovernmental.....	606,518	-
Total current assets.....	16,401,922	367,441
NONCURRENT:		
Receivables, net of allowance for uncollectibles:		
Intergovernmental.....	3,675,543	-
Special assessments.....	11,215,829	-
Capital assets, non depreciable.....	4,842,708	-
Capital assets, depreciable.....	57,346,101	-
Total noncurrent assets.....	77,080,181	-
TOTAL ASSETS.....	93,482,103	367,441
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions.....	303,980	-
LIABILITIES		
CURRENT:		
Warrants payable.....	205,885	-
Accrued interest.....	299,436	-
Compensated absences.....	59,000	-
Bonds payable.....	2,816,122	-
Total current liabilities.....	3,380,443	-
NONCURRENT:		
Compensated absences.....	31,000	-
Other postemployment benefits.....	814,812	-
Bonds payable.....	23,277,263	-
Net pension liability.....	2,581,290	-
Total noncurrent liabilities.....	26,704,365	-
TOTAL LIABILITIES.....	30,084,808	-
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions.....	8,686	-
NET POSITION		
Net investment in capital assets.....	44,180,350	-
Unrestricted.....	19,512,239	367,441
TOTAL NET POSITION.....	\$ 63,692,589	\$ 367,441

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	Business-type Activities - Water Pollution Control Facility	Governmental Activities - Internal Service Funds
<u>OPERATING REVENUES:</u>		
Employee contributions.....	\$ -	\$ 2,805
Employer contributions.....	-	173
Charges for services.....	6,574,855	-
Other.....	87,036	-
TOTAL OPERATING REVENUES	6,661,891	2,978
<u>OPERATING EXPENSES:</u>		
Cost of services and administration.....	3,923,119	-
Depreciation.....	2,561,824	-
Employee benefits	-	1,279,448
TOTAL OPERATING EXPENSES	6,484,943	1,279,448
OPERATING INCOME (LOSS).....	176,948	(1,276,470)
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Investment income.....	50,085	350
Interest expense.....	(909,506)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(859,421)	350
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS.....	(682,473)	(1,276,120)
CAPITAL CONTRIBUTIONS.....	1,000,103	-
<u>TRANSFERS:</u>		
Transfers out.....	(872,956)	-
CHANGE IN NET POSITION.....	(555,326)	(1,276,120)
NET POSITION AT BEGINNING OF YEAR.....	64,247,915	1,643,561
NET POSITION AT END OF YEAR.....	\$ 63,692,589	\$ 367,441

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

	Business-type Activities - Water Pollution Control Facility	Governmental Activities - Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users.....	\$ 6,509,847	\$ -
Receipts from interfund services provided.....	-	2,978
Payments to vendors.....	(2,466,800)	-
Payments to employees.....	(775,956)	-
Payments for interfund services used.....	-	(413,302)
	<u>3,267,091</u>	<u>(410,324)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>3,267,091</u>	<u>(410,324)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Transfers out.....	(872,956)	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition and construction of capital assets.....	(662,754)	-
Principal payments on bonds and notes.....	(2,368,179)	-
Betterments and interest on betterments.....	1,542,017	-
Interest expense.....	(577,921)	-
Intergovernmental.....	465,153	-
	<u>(1,601,684)</u>	<u>-</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(1,601,684)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investment income.....	50,085	350
	<u>842,536</u>	<u>(409,974)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	<u>842,536</u>	<u>(409,974)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>13,087,726</u>	<u>777,415</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 13,930,262</u>	<u>\$ 367,441</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>		
Operating income (loss).....	\$ 176,948	\$ (1,276,470)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation.....	2,561,824	-
Deferred (outflows)/inflows related to pensions.....	(217,840)	-
Changes in assets and liabilities:		
Tax liens.....	(27,422)	-
User fees.....	(124,622)	-
Departmental and other.....	-	121,636
Working capital deposit.....	-	802,774
Other postemployment benefits obligation.....	115,118	-
Warrants payable.....	(131,251)	(168)
Health claims payable.....	-	(58,096)
Accrued compensated absences.....	8,000	-
Net pension liability.....	906,336	-
	<u>3,090,143</u>	<u>866,146</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 3,267,091</u>	<u>\$ (410,324)</u>
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>		
Principal and interest intergovernmental subsidies.....	\$ (775,707)	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ -	\$ 589,380	\$ 740,744
Investments.....	46,820	-	-
TOTAL ASSETS.....	46,820	589,380	740,744
LIABILITIES			
Liabilities due depositors.....	-	-	591,118
Other liabilities.....	-	-	149,626
TOTAL LIABILITIES.....	-	-	740,744
NET POSITION			
Held in trust for opeb benefits and other purposes.....	\$ 46,820	\$ 589,380	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2016

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
<u>ADDITIONS:</u>		
Contributions:		
Contributions.....	\$ -	\$ 25,912
Net investment income (loss):		
Investment income.....	(3,180)	1,130
<u>DEDUCTIONS:</u>		
Educational scholarships.....	-	23,150
CHANGE IN NET ASSETS.....	(3,180)	3,892
NET POSITION AT BEGINNING OF YEAR.....	50,000	585,488
NET POSITION AT END OF YEAR.....	\$ 46,820	\$ 589,380

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Wareham, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen.

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

Joint Venture – The Town has entered into a joint venture with other municipalities to pool resources and share costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The Town is a participant in the Upper Cape Cod Regional Technical School. The powers and duties of the regional school district are vested in and exercised by a regional school district committee composed of representatives of the member Towns of Bourne, Falmouth, Marion, Sandwich, and Wareham Massachusetts. The committee has all powers and duties conferred and imposed upon regional school district committee's by law. Annual assessments are levied by the District against member Towns based on the relative enrollment. The Town of Wareham's 2016 assessment totaled \$2,836,635. The District's financial statements are audited by another independent accounting firm on an annual basis and are not reviewed by the Town's independent auditors. Financial statements are available at Upper Cape Cod Regional Technical School, which is located at 220 Sandwich Road, Bourne, MA 02532.

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

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

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

Major Fund Criteria

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

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

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and trust funds or reported as a major fund).

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

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

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

The following major proprietary funds are reported:

The *Water Pollution Control Facility Fund (WPCF)* accounts for the operation and maintenance of the Town's sanitary sewer collection and disposal system.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to the self-insured employee health and dental program. As of September of 2015, the Town is no longer self-insured for its health or dental activities. In 2016, runoff claims from the period of being self-insured for both health and dental were charged to this fund. No further health and dental claims will be charged here. Management is working on a plan to utilize the remaining net position and work towards closing the internal service fund.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity by the Town for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

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

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

The *agency fund* is used to account for assets held in a purely custodial capacity by the Town.

Government-Wide and Fund Financial Statements

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

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

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

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

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

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

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

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed within two years after the close of the valuation year on delinquent properties and are recorded as receivables in the year they are processed.

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

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

Motor Vehicle and Other Excise Taxes

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

year of the levy. The Commonwealth is responsible for reporting the number of boats registered and the fair value of those boats. The tax calculation is the fair value of the boat multiplied by \$10 per \$1,000 of value.

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

WPCF User Charges

Commercial and residential user fees are billed semiannually. All billings are based on the Equalized Dwelling Unit (EDU) system and are subject to penalties and interest if they are not paid by their respective due dates. WPCF liens are processed in the subsequent year as a lien on the property owner's tax bill. WPCF charges and related liens are recorded as receivables in the year of the levy.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectible.

Departmental and Other

Departmental and other receivables are recorded as receivables in the year accrued. The allowance for uncollectible is estimated based on historical trends and specific account analysis.

Outstanding ambulance receivables more than 180 days old are deemed uncollectible.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectible.

Loans

The Town administers loan programs that provide housing assistance to residents and capital needs assistance for small businesses. Upon issuance, a receivable is recorded for the principal amount of the loan.

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

G. Inventories

Government-Wide and Fund Financial Statements

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

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is

not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

Capital assets, other than infrastructure assets, are defined by the Town as assets with an initial, individual cost of more than amounts shown below and an estimated useful life in excess of one year.

Capital Asset Type	Capitalization Threshold
Buildings and land.....	\$ 100,000
Building and land improvements.....	25,000
Machinery and equipment.....	25,000
Infrastructure.....	300,000
Vehicles.....	25,000

The Town reports infrastructure assets on the network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements in accordance with the policy above.

In the case of the initial capitalization of general infrastructure assets (i.e. those reported by governmental activities) the Town chose to include all such items regardless of their acquisition date or amount. The Town was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e. estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost of the acquisition year or estimated acquisition year). As the Town constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

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

Capital Asset Type	Estimated Useful Life (in years)
Land improvements.....	20
Buildings and improvements.....	20-40
Machinery and equipment.....	5-20
Infrastructure.....	30-50
Vehicles.....	3-5

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

Governmental Fund Financial Statements

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

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

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

K. Interfund Transfers

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

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

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

L. Unavailable Revenue

Fund Financial Statements

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

M. Net Position and Fund Equity

Government-Wide Financial Statements (Net position)

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

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

Net Position has been "restricted for" the following:

"Streets" - represents amounts committed by the Commonwealth of Massachusetts under the Chapter 90 program for repair and/or reconstruction of streets and sidewalks.

"Community preservation" - represents amount raised for the purpose of ongoing community preservation activities.

"Permanent funds – expendable" represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings that support governmental programs.

"Permanent funds – nonexpendable" represents the endowment portion of donor restricted trusts that support governmental programs.

"Grants and gifts" – represents amounts with restrictions placed on them by outside parties.

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

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town meeting is the highest level of decision making authority for the government that can, by adoption of an ordinance prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Board of Selectmen has by resolution authorized the Town Accountant to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

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

Sometimes the Town will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

N. Pensions

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

O. Long-term debt*Government-Wide and Proprietary Fund Financial Statements*

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

Governmental Fund Financial Statements

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

P. Investment Income

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

Investment income from proprietary funds, trust funds, and internal service funds is retained within the respective fund.

Q. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

R. Use of Estimates*Government-Wide and Fund Financial Statements*

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

S. Individual Fund Deficits

There are several individual fund deficits within the Special Revenue and Capital Project Funds. These deficits will be funded through available fund balance, grants and bond proceeds in future years.

T. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

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

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

As of June 30, 2016, the Town had entered into an agreement to join the Plymouth County Other Postemployment Benefits Trust Program to manage the Town's funds contributed to the trust to offset future benefit payments. As of June 30, 2016, the \$46,820 of investments related OPEB Trust Fund is included within the Town's investments.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. At year-end, the carrying amount of deposits totaled \$31,598,631 and the bank balance totaled \$33,136,213. Of the bank balance, \$2,191,639 was covered by Federal Depository Insurance, \$5,991,383 was covered by the Share Insurance Fund, \$22,566,064 was collateralized, and \$2,387,127 was uninsured and uncollateralized. The Town has a policy that states that no more than 10% of the Town's cash can be maintained as unsecured. The Town is in compliance with this requirement.

Investments

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

<u>Other Investments</u>	
Equity Securities.....	\$ 773,556
Money Market Mutual Funds.....	8,478
Mutual Funds.....	<u>46,820</u>
Total Investments.....	\$ <u><u>828,854</u></u>

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the Town's investments, \$773,556 of equity securities are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty.

The Town-wide investment policy addresses custodial credit risk by requiring all securities not held directly by the Town to be held in the Town's name and tax identification number by the third party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

Interest Rate Risk

The Town's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town has not adopted a formal policy related to Credit Risk. The Town does not have any debt securities as of June 30, 2016.

Concentration of Credit Risk

The Town's investment policy restricts investments to no more than 5% in any one issuer. The Town did not have more than 5% of its investments in any one individual security.

Fair Market Value of Investments

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

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

The Town has the following recurring fair value measurements as of June 30, 2016:

Investment Type	6/30/16	Fair Value Measurements Using		
		Quoted Markets for Identical (Level 1)	Other Observable (Level 2)	Significant Unobservable (Level 3)
<u>Other investments:</u>				
Equity securities.....	\$ 773,556	\$ 773,556	\$ -	\$ -
Mutual funds.....	46,820	46,820	-	-
Money market mutual funds.....	8,478	8,478	-	-
Total other investments.....	828,854	828,854	-	-
Total investments measured at fair value....	\$ 828,854	\$ 828,854	\$ -	\$ -

Equity securities, mutual funds, and money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

NOTE 3 – RECEIVABLES

At June 30, 2016, receivables for the individual major and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 732,490	\$ (75,000)	\$ 657,490
Tax liens.....	1,821,518	-	1,821,518
Motor vehicle and other excise taxes.....	740,741	(145,000)	595,741
Departmental and other.....	1,392,652	(517,000)	875,652
Special assessments.....	425,022	-	425,022
Intergovernmental.....	1,833,122	-	1,833,122
Loans.....	1,523,571	-	1,523,571
Total.....	\$ 8,469,116	\$ (737,000)	\$ 7,732,116

At June 30, 2016, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User fees.....	\$ 934,210	\$ -	\$ 934,210
Tax liens.....	343,216	-	343,216
Special assessments.....	11,803,545	-	11,803,545
Intergovernmental.....	4,282,061	-	4,282,061
Total.....	\$ 17,363,032	\$ -	\$ 17,363,032

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. At the end of the current year, the various components of *deferred inflows of resources* reported in the governmental funds were as follows:

	General Fund	Nonmajor Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate, personal property and tax deferrals.....	\$ 504,703	\$ 8,892	\$ 513,595
Tax liens.....	1,816,667	4,851	1,821,518
Motor vehicle and other excise.....	595,741	-	595,741
Departmental and other.....	508,237	367,415	875,652
Special assessments.....	-	425,022	425,022
Intergovernmental.....	-	1,779,104	1,779,104
Loans.....	-	1,523,571	1,523,571
Tax foreclosures.....	700,547	-	700,547
Total.....	\$ 4,125,895	\$ 4,108,855	\$ 8,234,750

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 5,218,817	\$ 570,000	\$ -	\$ 5,788,817
Total capital assets not being depreciated.....	5,218,817	570,000	-	5,788,817
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	69,592,434	100,256	-	69,692,690
Land improvements.....	4,338,491	-	-	4,338,491
Machinery and equipment.....	5,950,994	-	-	5,950,994
Vehicles.....	5,130,005	664,095	-	5,794,100
Infrastructure.....	55,609,210	981,694	-	56,590,904
Total capital assets being depreciated.....	140,621,134	1,746,045	-	142,367,179
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(34,545,058)	(1,240,378)	-	(35,785,436)
Land improvements.....	(2,201,124)	(202,914)	-	(2,404,038)
Machinery and equipment.....	(4,709,512)	(257,366)	-	(4,966,878)
Vehicles.....	(4,477,110)	(327,882)	-	(4,804,992)
Infrastructure.....	(26,526,740)	(1,437,052)	-	(27,963,792)
Total accumulated depreciation.....	(72,459,544)	(3,465,592)	-	(75,925,136)
Total capital assets being depreciated, net.....	68,161,590	(1,719,547)	-	66,442,043
Total governmental activities capital assets, net.....	\$ 73,380,407	\$ (1,149,547)	\$ -	\$ 72,230,860

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,842,708	\$ -	\$ -	\$ 4,842,708
Construction in progress.....	287,845	-	(287,845)	-
Total capital assets not being depreciated.....	5,130,553	-	(287,845)	4,842,708
<u>Capital assets being depreciated:</u>				
Buildings.....	29,998,148	-	-	29,998,148
Machinery and equipment.....	13,516,322	566,948	-	14,083,270
Vehicles.....	765,934	245,677	-	1,011,611
Infrastructure.....	57,137,268	-	-	57,137,268
Total capital assets being depreciated.....	101,417,672	812,625	-	102,230,297
<u>Less accumulated depreciation for:</u>				
Buildings.....	(7,235,334)	(599,639)	-	(7,834,973)
Machinery and equipment.....	(10,925,625)	(367,126)	-	(11,292,751)
Vehicles.....	(714,771)	(66,742)	-	(781,513)
Infrastructure.....	(23,446,642)	(1,528,317)	-	(24,974,959)
Total accumulated depreciation.....	(42,322,372)	(2,561,824)	-	(44,884,196)
Total capital assets being depreciated, net.....	59,095,300	(1,749,199)	-	57,346,101
Total business-type activities capital assets, net.....	\$ 64,225,853	\$ (1,749,199)	\$ (287,845)	\$ 62,188,809

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

Governmental Activities:

General government.....	\$ 181,845
Public safety.....	350,574
Education.....	1,309,263
Public works.....	1,444,733
Human services.....	55,904
Culture and recreation.....	99,912
Community preservation.....	23,361

Total depreciation expense - governmental activities..... \$ 3,465,592

Business-Type Activities:

Water Pollution Control Facility.....	\$ <u>2,561,824</u>
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NOTE 5 – INTERFUND RECEIVABLES AND TRANSFERS

There were no interfund receivables as of June 30, 2016.

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

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 194,968	\$ 194,968 (1)
Nonmajor Governmental Funds.....	613,845	-	613,845 (2)
Water Pollution Control Facility.....	872,956	-	872,956 (3)
	<u>\$ 1,486,801</u>	<u>\$ 194,968</u>	<u>\$ 1,681,769</u>

(1) Represents transfers from the general fund to the school textbooks capital projects fund, and to various special revenue funds for transportation, waterways, and recycling.

(2) Represents transfers from various special revenue funds to the general fund including: harbor master, hotel tax, parking meters, and waterways funds.

(3) Represents a transfer from the Water Pollution Control Facility to the General Fund for indirect costs.

NOTE 6 – CAPITAL LEASES

During both 2015 and 2016, the Town entered into a lease agreement to finance the acquisition of four police vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The following identifies the assets acquired through capital lease agreements:

Asset:	Governmental Activities
Vehicles.....	\$ 353,004
Less: accumulated depreciation.....	<u>(172,820)</u>
Total.....	<u>\$ 180,184</u>

Future minimum lease payments under capitalized leases consist of the following at June 30, 2016:

Years Ending June 30	Governmental Activities
2017.....	\$ 123,278
2018.....	<u>66,043</u>
Total minimum lease payments.....	189,321
Less: amounts representing interest.....	<u>(13,690)</u>
Present value of minimum lease payments.....	<u>\$ 175,631</u>

NOTE 7 – SHORT-TERM FINANCING

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

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

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

The Town had the following short-term financing activity during the year:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2015	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2016
Governmental Funds:							
BAN	School Equipment.....	0.50%	05/06/15	\$ 317,600	\$ -	\$ 317,600	\$ -
BAN	High School Roof Replacement.....	0.35%	07/31/15	275,000	-	275,000	-
BAN	High School Roof Replacement.....	0.40%	07/31/15	225,000	-	225,000	-
BAN	High School Roof Replacement.....	0.45%	09/30/15	-	500,000	500,000	-
BAN	School Equipment.....	0.75%	05/05/17	-	238,200	-	238,200
BAN	Computer Hardware & Software.....	0.50%	08/19/16	-	300,000	-	300,000
BAN	MCWT CWT-16-01.....	0.13%	03/15/17	-	60,000	-	60,000
Total Short-Term Debt.....				<u>\$ 817,600</u>	<u>\$ 1,098,200</u>	<u>\$ 1,317,600</u>	598,200
General Obligation Bonds issued 08/06/16 (See Note 8).....							<u>(300,000)</u>
Total.....							<u>\$ 298,200</u>

Subsequent to year end, \$300,000 of BAN's were redeemed by the issuance of general obligation bonds. See note 8 for more information.

NOTE 8 - LONG-TERM DEBT

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

On August 6, 2016, the Town issued \$300,000 of general obligation debt that related to BAN's outstanding as of June 30, 2016. Accordingly, the current year financial statements have recognized bond proceeds in the amount of \$300,000 in the Town's capital projects fund.

Details related to the outstanding indebtedness at June 30, 2016, and the debt service requirements follow.

Bonds and Notes Payable Schedule – Governmental Funds

Project	Maturities Through	Original Amount Issued	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Building Remodeling - Senior Center.....	2017	449,000	4.8%	\$ 42,000	\$ -	\$ 21,000	\$ 21,000
Building Remodeling - School.....	2017	365,000	4.8%	38,000	-	19,000	19,000
Building Remodeling - School.....	2017	500,000	4.8%	52,000	-	26,000	26,000
MCWT Title V 97-1019.....	2019	195,676	4.4%	43,472	-	10,868	32,604
MCWT Title V 97-1019 - 1.....	2021	189,474	4.4%	64,185	-	10,353	53,832
Building Remodeling - EMS.....	2020	500,000	4.2%	125,000	-	25,000	100,000
Open Space.....	2019	184,000	4.1%	40,000	-	10,000	30,000
School Bus Garage.....	2020	150,000	4.1%	25,000	-	5,000	20,000
Town Hall Repairs.....	2021	300,000	4.3%	90,000	-	15,000	75,000
School Roof.....	2021	200,000	4.3%	60,000	-	10,000	50,000
Multi-purpose.....	2023	3,609,000	3.8%	205,000	-	30,000	175,000
MCWT Title V 97-1019 - 2.....	2025	185,254	4.6%	90,000	-	10,000	80,000
MCWT Title V 97-1019 - 3C.....	2028	200,000	0.0%	130,000	-	10,000	120,000
MCWT Title V T5-97-1019-D.....	2030	200,000	0.0%	157,896	-	10,526	147,370
State House Notes.....	2018	1,250,000	2.0%	670,000	-	280,000	390,000
MCWT Title V T5-97-1019-E.....	2033	200,000	0.0%	180,000	-	10,000	170,000
State House Notes of 2015.....	2019	303,000	1.5%	240,000	-	60,000	180,000
MCWT Title V T5-97-1019-F.....	2035	200,000	0.0%	200,000	-	10,000	190,000
High School Roof Replacement.....	2021	288,636	2.3%	-	288,636	-	288,636
School Buses.....	2023	620,000	.8-1.90%	-	620,000	-	620,000
School Computer Hardware & Software.....	2020	300,000	2.00-2.25%	-	300,000	-	300,000
Total.....				<u>\$ 2,452,553</u>	<u>\$ 1,208,636</u>	<u>\$ 572,747</u>	<u>\$ 3,088,442</u>

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

Year	Principal	Interest	Total
2017.....	\$ 716,383	\$ 50,060	\$ 766,443
2018.....	641,747	42,894	684,641
2019.....	441,747	30,833	472,580
2020.....	361,913	20,776	382,689
2021.....	251,912	13,269	265,181
2022.....	160,526	7,921	168,447
2023.....	160,526	4,413	164,939
2024.....	45,526	1,182	46,708
2025.....	45,527	125	45,652
2026.....	40,527	-	40,527
2027.....	40,527	-	40,527
2028.....	40,527	-	40,527
2029.....	30,527	-	30,527
2030.....	30,527	-	30,527
2031.....	20,000	-	20,000
2032.....	20,000	-	20,000
2033.....	20,000	-	20,000
2034.....	10,000	-	10,000
2035.....	10,000	-	10,000
Total.....	\$ <u>3,088,442</u>	\$ <u>171,473</u>	\$ <u>3,259,915</u>

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Amount Issued	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Sewer Riverside.....	2022	\$ 180,405	4.3%	\$ 50,000	\$ -	\$ 10,000	\$ 40,000
Sewer Sunset Island.....	2022	265,000	4.3%	70,000	-	10,000	60,000
Sewer Thatcher.....	2022	1,215,000	4.4%	420,000	-	60,000	360,000
Engineering- Water Pollution.....	2022	1,350,000	4.4%	455,000	-	65,000	390,000
Sewer Design & Construction.....	2018	2,106,000	4.8%	308,000	-	104,000	204,000
Sewer Design & Construction.....	2020	468,200	6.0%	78,031	-	15,606	62,425
MCWT Construction 96-15.....	2017	1,470,980	5.4%	223,238	-	109,930	113,308
MCWT Construction 91-18.....	2017	1,411,886	5.4%	214,269	-	105,513	108,756
MCWT Construction CW-01-41.....	2023	8,823,166	5.0%	4,490,000	-	505,000	3,985,000
MCWT Construction CW-02-49.....	2024	10,878,067	5.0%	6,478,000	-	632,000	5,846,000
Sewer Planning.....	2023	597,000	3.9%	250,000	-	35,000	215,000
Sewer Weweatic.....	2026	3,305,000	3.9%	1,775,000	-	170,000	1,605,000
Sewer Pump Station.....	2026	500,000	3.6%	440,000	-	40,000	400,000
MCWT Construction CW-02-49A.....	2027	688,636	0.0%	459,094	-	38,257	420,837
MCWT Construction CW-05-10.....	2027	4,978,306	2.0%	3,513,563	-	261,673	3,251,890
MCWT Construction CWS-07-37.....	2031	6,567,049	2.0%	5,454,972	-	292,201	5,162,771
Serial State Issue-Sewer.....	2017	667,000	2.5%	260,000	-	130,000	130,000
MCWT CWS-07-37-A.....	2033	46,868,271	2.0%	3,918,613	-	180,215	3,738,398
Total.....				\$ <u>28,857,780</u>	\$ <u>-</u>	\$ <u>2,764,395</u>	\$ <u>26,093,385</u>

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

Year	Principal	Interest	Total
2017.....	\$ 2,816,122	\$ 756,600	\$ 3,572,722
2018.....	2,505,476	651,016	3,156,492
2019.....	2,456,210	574,328	3,030,538
2020.....	2,507,271	461,329	2,968,600
2021.....	2,553,053	374,888	2,927,941
2022.....	2,604,781	287,154	2,891,935
2023.....	2,521,853	184,461	2,706,314
2024.....	1,904,277	142,831	2,047,108
2025.....	1,120,058	117,374	1,237,432
2026.....	1,138,210	91,557	1,229,767
2027.....	956,732	69,371	1,026,103
2028.....	604,724	54,140	658,864
2029.....	617,299	41,920	659,219
2030.....	630,135	29,446	659,581
2031.....	643,237	16,711	659,948
2032.....	254,211	7,736	261,947
2033.....	259,736	2,596	262,332
Total.....	\$ <u>26,093,385</u>	\$ <u>3,863,458</u>	\$ <u>29,956,843</u>

The Enterprise Fund is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$2,774,000 and interest costs for \$1,363,000. Thus, net MCWT loan repayments, including interest, are scheduled to be \$21,764,000. The principal subsidies are guaranteed and therefore a \$2,774,000 intergovernmental receivable has been reported in the sewer enterprise fund financial statements. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The 2016 principal and interest subsidies totaled \$396,000 and \$379,000 respectively.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit.

At June 30, 2016, the Town had the following authorized and unissued debt:

Purpose	Amount
School Equipment & Technology.....	\$ 280,200
School Buses.....	350,000
School Feasibility Study.....	1,000,000
Various Municipal Projects.....	1,000,000
High School Roof Replacement.....	2,238,922
Decas School Repairs/Replacement.....	2,442,181
Total.....	\$ <u>7,311,303</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Governmental Activities:					
Long-Term Bonds.....	\$ 2,452,553	\$ 1,208,636	\$ (572,747)	\$ 3,088,442	\$ 716,383
Other Postemployment Benefits.....	31,589,187	7,566,484	(2,758,352)	36,397,319	-
Compensated Absences.....	1,680,000	995,000	(898,000)	1,777,000	991,000
Capital Leases.....	105,305	187,549	(117,223)	175,631	113,179
Net Pension Liability.....	29,534,891	4,649,888	(2,808,561)	31,376,218	-
Total.....	<u>\$ 65,361,936</u>	<u>\$ 14,607,557</u>	<u>\$ (7,154,883)</u>	<u>\$ 72,814,610</u>	<u>\$ 1,820,562</u>
Business-Type Activities:					
Long-Term Bonds.....	\$ 28,857,780	\$ -	\$ (2,764,395)	\$ 26,093,385	\$ 2,816,122
Other Postemployment Benefits.....	699,694	127,237	(12,119)	814,812	-
Compensated Absences.....	82,000	61,000	(53,000)	90,000	59,000
Net Pension Liability.....	1,674,954	1,857,339	(951,003)	2,581,290	-
Total.....	<u>\$ 31,314,428</u>	<u>\$ 2,045,576</u>	<u>\$ (3,780,517)</u>	<u>\$ 29,579,487</u>	<u>\$ 2,875,122</u>

The long-term liabilities will be liquidated in the future by the general and enterprise funds, respectfully.

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

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

At year end the balance of the General Stabilization Fund is \$2,459,495 and is reported as unassigned fund balance within the General Fund.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

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

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

GOVERNMENTAL FUNDS			
	General	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES			
Nonspendable:			
Permanent fund principal.....	\$ -	\$ 371,445	\$ 371,445
Restricted for:			
Revolving funds.....	-	1,360,280	1,360,280
Private/local gift and grant funds.....	-	653,703	653,703
School lunch.....	-	157,686	157,686
Town grant funds.....	-	427,740	427,740
School grant funds.....	-	433,671	433,671
Community preservation fund.....	-	3,486,537	3,486,537
Town capital projects.....	-	141,945	141,945
School capital projects.....	-	388,146	388,146
Other permanent funds.....	-	297,587	297,587
Committed to:			
General government.....	499,771	-	499,771
Public safety.....	51,718	-	51,718
Education.....	125,746	-	125,746
Public works.....	188,890	-	188,890
Human services.....	9,874	-	9,874
Assigned to:			
General government.....	14,527	-	14,527
Public safety.....	7,072	-	7,072
Education.....	2,775	-	2,775
Public works.....	6,816	-	6,816
Human services.....	10,400	-	10,400
Unassigned.....	6,234,884	-	6,234,884
TOTAL FUND BALANCES.....	\$ 7,152,473	\$ 7,718,740	\$ 14,871,213

NOTE 10 – RISK FINANCING*Health and Dental Insurance*

The Town participates in premium-based health care plans for its active employees and retirees through the Mayflower Municipal Health Group. Claims have not exceeded insurance coverage for the last three years.

As of September 1, 2015, the Town is no longer self-insured for its dental activities. The Town had a working capital deposit with their dental claim administrator for any run off claims. As a result, there are no Incurred But Not Reported (IBNR) claims related to dental insurance activities.

The following table represents the final accounting of dental claim and changes in the reported liability since July 1, 2014:

		Balance at Beginning of Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at Year-End
2016.....	\$	58,096	\$	355,206	\$	(413,302)	\$	-
2015.....		846,257		4,197,023		(4,985,184)		58,096

General Liability and Property Insurance

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.

Workers' Compensation

The Town participates in a premium based workers' compensation insurance plan for its employees, including police officers and firefighters. All public safety claims are subject to a maximum allowable insurance benefit which varies by contract, the Town is responsible for any excess public safety claims. As of June 30, 2016, this amount was immaterial and therefore not recorded.

NOTE 11 - PENSION PLAN*Plan Descriptions*

The Town is a member of the Plymouth County Contributory Retirement System (PCCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 59 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The audited financial report may be obtained by visiting <http://www.pcr-ma.org>.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS.

The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2015. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$4,409,519 is reported in the general fund as intergovernmental revenue and pension benefits in the current year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$54,365,411 as of the measurement date.

Benefits Provided

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

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

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

There were no changes of benefit terms that affected the total pension liability at December 31, 2015.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the PCCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2015, was \$3,521,780, 27.77% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Town paid \$3,453,350 for its actual contribution. The required contribution is payable on July 1 and January 1.

Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the required contributions.

Pension Liabilities

At June 30, 2016, the Town reported a liability of \$33,957,508 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the Town's proportion was 5.354%, which did not change from its proportion measured at December 31, 2014.

Pension Expense

For the year ended June 30, 2016, the Town recognized pension expense of \$3,759,563. At June 30, 2016, the Town reported deferred outflows of resources related to pensions of \$3,998,938, from the net difference between projected and actual investment earnings on pension plan investments. The Town also reported deferred inflows of resources related to pensions of \$114,273 from the total changes in proportion and differences between employer contributions and proportionate share of contributions. Since the system performs an actuarial valuation bi-annually, there are no reported differences between expected and actual experience or a change of assumptions as of December 31, 2015.

The balances of deferred outflows and inflows of at June 30, 2016 consist of the following:

<u>Deferred Category</u>	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>	<u>Total</u>
Net difference between projected and actual investment earnings on pension plan investments.....	\$ 3,998,938	\$ -	\$ 3,998,938
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	-	(114,273)	(114,273)
Total Deferred Outflows/(Inflows) of Resources.....	\$ <u>3,998,938</u>	\$ <u>(114,273)</u>	\$ <u>3,884,665</u>

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

Year ended June 30:

2017.....	\$ 1,061,581
2018.....	1,061,581
2019.....	1,061,581
2020.....	<u>699,922</u>
Total.....	\$ <u>3,884,665</u>

Actuarial Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date.....	January 1, 2015
Actuarial cost method.....	Individual Entry Age Normal Actuarial Cost Method
Amortization method.....	Level percent, open group
Remaining amortization period.....	17 years
Asset valuation method.....	Actuarially valued using a five-year smoothing method of gains and losses.
Rate of investment return.....	8.00%
Inflation rate.....	3.75%
Value of investments.....	Assets held by the fund are valued at market value as reported by the Public Employees' Retirement Administration Commission (PERAC).
Projected salary increases.....	3.75% per year
Cost of living adjustments.....	3.0% of the lessor of the pension amount and \$13,000 per year
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Mortality rates.....	Pre-retirement and post retirement mortality are represented by the RP-2000 Mortality Table for males and females adjusted to 2016 with Scale AA. Disabled members is represented by the RP-2000 Mortality Table set forward two years for all disabled members.
Family composition.....	Assumption that 80% of members will be survived by a spouse, females are three years younger than males and males are three years older than females.

Investment Policy

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2015 are summarized in the following table:

Asset Class	Portfolio Target Weight	Long-Term Expected Real Rate of Return
Domestic equity.....	33.00%	10.20%
Foreign equity.....	16.00%	11.00%
Fixed income.....	25.50%	7.90%
Real estate.....	13.00%	9.30%
Private equity.....	7.50%	14.60%
Hedge funds.....	4.00%	8.70%
Cash.....	1.00%	4.00%
Total.....	100.00%	

Rate of return

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was .25%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan'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 of the net pension liability to changes in the discount rate

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

	1% Decrease (7.00%)	Current Discount (8.00%)	1% Increase (9.00%)
The Town's proportionate share of the net pension liability..... \$	42,130,431 \$	33,957,508 \$	26,948,673

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

As of the July 1, 2014 actuarial, the Plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependents...	482
Current active members.....	<u>544</u>
Total.....	<u><u>1,026</u></u>

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 70 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 30 percent of their premium costs. For year 2016, the Town contributed \$2.8 million to the plan.

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

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

Annual required contribution..... \$	7,476,011
Interest on UAAL.....	1,291,556
Adjustments to annual required contribution.....	<u>(1,073,846)</u>
Annual OPEB cost (expense).....	7,693,721
Contributions made.....	<u>(2,770,471)</u>
Increase/(Decrease) in net OPEB obligation.....	4,923,250
Net OPEB obligation - beginning of year.....	<u>32,288,881</u>
Net OPEB obligation - end of year..... \$	<u><u>37,212,131</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for year 2016 and two prior years was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 7,693,721	36%	\$ 37,212,131
6/30/2015	7,330,225	37%	32,288,881
6/30/2014	8,075,503	35%	27,702,500

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$81.6 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was not reported in the July 1, 2014 actuarial valuation.

In 2015, the general fund of the Town has made its first contribution of \$50,000 to the Plymouth County Other Postemployment Benefits Trust Program ("Program"). The objective of the Program is to assist public entities (counties, cities, towns, school districts, special districts, and municipal light plants) in Plymouth County and neighboring Norfolk, Bristol, and Barnstable counties with pre-funding their obligations for other postemployment benefits (other than pensions) by investing in a manner in accordance with Massachusetts Government Code within IRC Section 115 multiple employer trust. No contributions were made in 2016.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2014, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, projected compensation increases of 3%, an inflation rate of 2.5%, and an annual medical/drug cost trend rate of 5%. The UAAL is being amortized using level dollar method over the maximum acceptable open period of 30 years at the last valuation. The remaining amortization period is 30 years as of July 1, 2014.

NOTE 13 - COMMITMENTS

The Town has entered into, or is planning to enter into contracts totaling approximately \$7.3 million for various school projects including the High School roof replacement project and feasibility study, the Decas School repairs and roof replacement project, and various other municipal projects.

NOTE 14 - CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2016, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 27, 2017, which is the date the financial statements were available to be issued.

NOTE 16 – FUTURE IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2016, the following GASB pronouncements were implemented:

- GASB Statement #72, *Fair Value Measurement and Application*. Notes to the basic financial statements were changed to provide additional disclosure on fair value measurement.
- GASB Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This pronouncement did not impact the basic financial statements.
- GASB Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement did not impact the basic financial statements.
- GASB Statement #79, *Certain External Investment Pools and Pool Participants*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.
- The GASB issued Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in 2017.

- The GASB issued Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, which is required to be implemented in 2017.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*, which is required to be implemented in 2018.

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

Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		
	Amounts Carried forward From Prior Year	Original Budget	Final Budget
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 35,918,823	\$ 35,918,823
Tax liens.....	-	-	-
Motor vehicle and other excise taxes.....	-	2,962,000	2,962,000
Charges for services.....	-	970,000	970,000
Penalties and interest on taxes.....	-	300,000	300,000
Licenses and permits.....	-	895,000	895,000
Fines and forfeitures.....	-	40,000	40,000
Intergovernmental.....	-	14,977,281	14,977,281
Investment income.....	-	23,000	23,000
Miscellaneous.....	-	271,861	271,861
TOTAL REVENUES.....	-	56,357,965	56,357,965
EXPENDITURES:			
Current:			
General government.....	490,809	3,261,870	3,279,220
Public safety.....	52,630	5,667,452	5,709,180
Education.....	-	30,034,700	30,210,700
Public works.....	374,182	2,658,352	2,820,353
Human services.....	10,000	597,471	597,471
Culture and recreation.....	-	178,148	178,148
Pension benefits.....	-	3,503,350	3,513,350
Employee benefits.....	-	8,622,078	8,654,728
State and county charges.....	-	3,524,154	3,524,154
Debt service:			
Principal.....	-	593,600	593,600
Interest.....	-	90,000	90,000
TOTAL EXPENDITURES.....	927,621	58,731,175	59,170,904
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(927,621)	(2,373,210)	(2,812,939)
OTHER FINANCING SOURCES (USES):			
Transfers in.....	-	1,100,956	1,232,685
Transfers out.....	-	(1,011,409)	(1,011,409)
TOTAL OTHER FINANCING SOURCES (USES).....	-	89,547	221,276
OTHER BUDGETARY AMOUNTS:			
Available funds for carryforward articles and encumbrances.....	927,621	927,621	927,621
Free cash and other available funds voted to balance the budget.....	-	1,362,648	1,670,648
Amounts raised for prior years overlay deficit.....	-	(6,606)	(6,606)
TOTAL OTHER BUDGETARY AMOUNTS.....	927,621	2,283,663	2,591,663
NET CHANGE IN FUND BALANCE.....	-	-	-
BUDGETARY FUND BALANCE, Beginning of year.....	-	3,211,220	3,211,220
BUDGETARY FUND BALANCE, End of year.....	\$ -	\$ 3,211,220	\$ 3,211,220

See notes to basic financial statements.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$ 35,716,072	\$ -	\$ (202,751)
496,856	-	496,856
3,572,332	-	610,332
999,058	-	29,058
285,559	-	(14,441)
1,378,646	-	483,646
120,258	-	80,258
15,121,064	-	143,783
104,157	-	81,157
172,207	-	(99,654)
57,966,209	-	1,608,244
2,635,218	514,298	129,704
5,329,121	58,790	321,269
30,080,103	128,521	2,076
2,564,515	195,706	60,132
540,252	20,274	36,945
177,215	-	933
3,512,053	-	1,297
7,953,322	-	701,406
3,565,048	-	(40,894)
501,000	-	92,600
60,073	-	29,927
56,917,920	917,589	1,335,395
1,048,289	(917,589)	2,943,639
1,606,800	-	374,115
(1,070,116)	-	(58,707)
536,684	-	315,408
-	-	(927,621)
-	-	(1,670,648)
-	-	6,606
-	-	(2,591,663)
1,584,973	(917,589)	667,384
3,211,220	-	-
\$ 4,796,193	\$ (917,589)	\$ 667,384

Pension Plan Schedules

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

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

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

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

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PLYMOUTH COUNTY RETIREMENT ASSOCIATION**

	December 31, 2014	December 31, 2015
Town's proportion of the net pension liability (asset).....	5.354%	5.354%
Town's proportionate share of the net pension liability (asset)..... \$	31,209,845	\$ 33,957,508
Town's covered employee payroll..... \$	12,225,509	\$ 12,683,966
Net pension liability as a percentage of covered-employee payroll.....	255.28%	267.72%
Plan fiduciary net position as a percentage of the total pension liability.....	58.90%	56.8%

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

See notes to required supplementary information.

SCHEDULE OF TOWN'S CONTRIBUTIONS
PLYMOUTH COUNTY RETIREMENT ASSOCIATION

	December 31, 2014	December 31, 2015
Actuarially determined contribution.....	\$ 3,268,147	\$ 3,521,780
Contributions in relation to the actuarially determined contribution.....	<u>3,268,147</u>	<u>3,521,780</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 12,225,509	\$ 12,683,966
Contributions as a percentage of covered- employee payroll.....	26.73%	27.77%

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

See notes to required supplementary information.

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

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

<u>Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the Town</u>	<u>Town's Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2016.....	\$ 54,365,411	\$ 4,409,519	55.38%
2015.....	44,599,148	3,098,517	61.64%

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

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

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

The Schedule of Employer Contributions compares, overtime, the annual required contributions to the actual contributions made.

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2014	\$ -	\$ 81,619,559	\$ 81,619,559	0.00%	\$ N/A	N/A
7/1/2012	-	82,104,869	82,104,869	0.00%	N/A	N/A
7/1/2010	-	87,952,833	87,952,833	0.00%	33,188,784	265.0%
7/1/2008	-	83,050,934	83,050,934	0.00%	N/A	N/A

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2016	\$ 7,476,011	\$ 2,770,471	37%
2015	7,295,968	2,743,844	38%
2014	7,840,772	2,854,730	36%

N/A=Not Available

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date	July 1, 2014
Actuarial cost method	Individual Entry Age
Amortization method	Level dollar amortization over a 30 year period, open
Remaining amortization period	30 years as of July 1, 2014
Asset valuation method	Market Value

Actuarial Assumptions:

Investment rate of return	4.00%
Medical/drug cost trend rate	5.00%
Compensation increases	3.00%
Inflation rate	2.50%

Plan Membership:

Current retirees, beneficiaries, and dependents...	482
Current active members.....	<u>544</u>
Total.....	<u><u>1,026</u></u>

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by the Board of Selectmen (the "Board"). The Board presents an annual budget to the representative Town meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The representative town meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between voted functions subsequent to the approval of the annual budget, requires a vote at a special Town meeting.

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2016 approved budget and amounts carried forward from prior year authorized approximately \$59.7 million in appropriations and other amounts to be raised. During year 2016, the Town meeting approved subsequent increases in appropriations totaling approximately \$440,000.

The Town Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2016, is presented below:

Net change in fund balance - budgetary basis.....	\$	1,584,973
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Perspective difference:

Stabilization fund recorded in the General Fund for GAAP.....		867,586
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Basis of accounting differences:

Net difference in recognition of revenues.....		(31,000)
Net change in recording expenditures.....		(9,109)
Net change in recording 60-day receipts accrual.....		6,819
Recognition of revenue for on-behalf payments.....		4,409,519
Recognition of expenditures for on-behalf payments.....		(4,409,519)

Net change in fund balance - GAAP basis.....	\$	<u>2,419,269</u>
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C. Appropriation Deficits

During 2016, expenditures exceeded budgeted appropriations for state and county charges and transfers out. These deficits will be funded in future years through tax levy and other available funds.

NOTE B – PENSION PLAN***Pension Plan Schedules***A. Schedule of the City's Proportionate Share of the Net Pension Liability

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

B. Schedule of Town's Contributions

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

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

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

D. Changes in Assumptions

None

E. Changes in Plan Provisions

None

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (“The Retiree Health Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town's group health and life insurance plans, which cover both active and retired members.

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress and Employer Contributions presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

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

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