

TOWN OF WAREHAM, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2017

TOWN OF WAREHAM, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 March 19, 2018, 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

March 19, 2018

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, 2017. 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 2017 by \$85.6 million (net position).
- At the end of 2017, unassigned fund balance for the general fund was \$7.6 million or 11.4% of total general fund expenditures.
- The general fund operations resulted in a \$1.4 million increase in fund balance.
- The Town's other postemployment benefit liability increased by \$5.3 million during 2017 to a balance of \$42.5 million.
- The Town's net pension liability increased by \$1.1 million during 2017 to a balance of \$35.1 million.
- In order to take advantage of favorable interest rates, the Town issued \$1.745 million of general obligation refunding bonds on July 25, 2016. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$1.8 million and became callable on September 15, 2016. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$171,951 and a reduction of \$184,460 in future debt service payments.
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*, was implemented this year. This standard added Note disclosures and Required Supplemental Information for the Town's OPEB Trust fund. Its sister standard, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment benefits Other Than Pensions*, is required to be implemented in FY2018. This standard will affect the financial statements themselves by requiring the Town to record its OPEB assets, liabilities, and deferred financial statement elements for the first time.

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 2017, 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 \$21.8 million at the close of 2017.

	2017	2016
	Governmental	Governmental
	Activities	Activities
Assets:		
Current assets.....	\$ 24,916,054	\$ 23,867,741
Noncurrent assets (excluding capital).....	1,546,783	1,685,201
Capital assets.....	73,502,963	72,230,860
Total assets.....	99,965,800	97,783,802
Deferred outflows of resources:		
Deferred outflows of resources related to pensions.....	4,622,822	3,694,958
Liabilities:		
Current liabilities (excluding debt).....	3,532,035	2,898,301
Noncurrent liabilities (excluding debt).....	74,987,550	68,621,989
Current debt.....	1,506,647	1,014,583
Noncurrent debt.....	1,805,312	2,372,059
Total liabilities.....	81,831,544	74,906,932
Deferred inflows of resources:		
Deferred inflows of resources related to pensions.....	1,011,418	105,587
Net position:		
Net investment in capital assets.....	70,269,175	70,230,684
Restricted.....	7,064,098	7,729,252
Unrestricted.....	(55,587,613)	(51,493,695)
Total net position.....	\$ 21,745,660	\$ 26,466,241

A significant portion of the Town's governmental net position, \$70.3 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, \$7.1 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 \$55.6 million. The deficit is the result of the net pension liability of \$32.7 million along with the other postemployment benefits liability of \$41.5 million. These are long term unfunded liabilities that will not require significant short term resources.

The governmental activities net position decreased by \$4.7 million during the current year. This was primarily due to the other postemployment benefit liability increase of \$5.1 million, the net pension liability increase of \$1.3 million and the fact that depreciation exceeded principal payments on bonds by \$3 million. These increases were offset by the receipt of \$2.1 million of capital grants, a \$1.4 million surplus in the general fund, and the timing of grant expenditures versus the receipt of the grant funds.

Key elements of change in net position are as follows:

	2017		2016
	Governmental		Governmental
	Activities		Activities
Program revenues:			
Charges for services.....	\$ 5,627,874	\$	5,709,672
Operating grants and contributions.....	24,443,084		21,453,312
Capital grants and contributions.....	2,101,633		2,303,320
General Revenues:			
Real estate and personal property taxes.....	37,178,562		35,679,691
Tax liens.....	646,201		566,301
Motor vehicle and other excise taxes.....	4,214,211		3,388,921
Penalties and interest on taxes.....	288,549		290,381
Community preservation surtax.....	696,170		656,482
Grants and contributions not restricted to specific programs.....	3,543,954		3,586,809
Unrestricted investment income.....	365,131		243,976
Miscellaneous.....	130,686		172,207
Total revenues.....	79,236,055		74,051,072
Expenses:			
General government.....	8,231,819		7,730,194
Public safety.....	11,418,974		10,282,023
Education.....	56,763,773		53,338,842
Public works.....	5,599,736		5,077,085
Human services.....	1,090,657		1,142,873
Community preservation.....	1,011,489		119,970
Culture and recreation.....	658,027		541,413
Interest.....	64,257		58,263
Total expenses.....	84,838,732		78,290,663
Excess (Deficiency) before transfers.....	(5,602,677)		(4,239,591)
Transfers.....	882,096		872,956
Change in net position.....	(4,720,581)		(3,366,635)
Net position - beginning.....	26,466,241		29,832,876
Net position - ending.....	\$ 21,745,660	\$	26,466,241

The governmental expenses totaled \$84.8 million of which \$32.2 million was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$47.1 million, primarily consisting of property taxes, motor vehicle excise and non-restricted state aid.

The primary reason for the increase in community preservation expenses is the fact that multiple projects were undertaken in 2017 that related to assets that the Town does not own.

Business-type activities – Water Pollution Control Facility

Business-type activities assets and deferred outflows exceeded liabilities and deferred inflows by \$63.9 million as the close of year 2017. The following table identifies key elements of the enterprise operations:

	2017	2016
	Business-type	Business-type
	Activities	Activities
Assets:		
Current assets.....	\$ 17,176,774	\$ 16,401,922
Noncurrent assets (excluding capital).....	13,242,665	14,891,372
Capital assets.....	60,554,468	62,188,809
Total assets.....	<u>90,973,907</u>	<u>93,482,103</u>
Deferred outflows of resources:		
Deferred outflows of resources related to pensions.....	<u>338,587</u>	<u>303,980</u>
Liabilities:		
Current liabilities (excluding debt).....	811,982	564,321
Noncurrent liabilities (excluding debt).....	3,340,447	3,427,102
Current debt.....	2,505,476	2,816,122
Noncurrent debt.....	20,691,787	23,277,263
Total liabilities.....	<u>27,349,692</u>	<u>30,084,808</u>
Deferred inflows of resources:		
Deferred inflows of resources related to pensions.....	<u>74,079</u>	<u>8,686</u>
Net position:		
Net investment in capital assets.....	46,519,730	44,180,350
Unrestricted.....	17,368,993	19,512,239
Total net position.....	<u>\$ 63,888,723</u>	<u>\$ 63,692,589</u>
Program revenues:		
Charges for services.....	\$ 6,589,622	\$ 6,661,891
Capital grants and contributions.....	996,114	1,000,103
General Revenues:		
Unrestricted investment income.....	<u>56,023</u>	<u>50,085</u>
Total revenues.....	<u>7,641,759</u>	<u>7,712,079</u>
Expenses:		
Water Pollution Control Facility.....	<u>6,563,529</u>	<u>7,394,449</u>
Excess (Deficiency) before transfers.....	1,078,230	317,630
Transfers.....	<u>(882,096)</u>	<u>(872,956)</u>
Change in net position.....	196,134	(555,326)
Net position - beginning.....	<u>63,692,589</u>	<u>64,247,915</u>
Net position - ending.....	<u>\$ 63,888,723</u>	<u>\$ 63,692,589</u>

Business-type net position of \$46.5 million represents the investment in capital assets, while \$17.4 million is unrestricted. The Town's business-type activity net position increase by \$196,000 during the current year. This increase is primarily due to a decrease in net pension liability of \$188,000, a decrease in interest expense of \$213,000, and decreases in various utility and supply operating accounts. These increases were offset by a \$882,000 transfer to the general fund for indirect costs associated with the operations of the Water Pollution Control Facility.

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 \$8.5 million relates to the general fund and \$6.4 million relates to the nonmajor funds. Cumulatively there was an increase of \$68 thousand in fund balances from the prior year that is due to positive budgetary results, a decrease in the accrual for Appellate Tax Board cases of \$150 thousand due to the telecom cases being settled, offset by the timing of the expenditure of grant funds versus the initial receipt of the funds.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$7.6 million, while total fund balance was \$8.5 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 11.4% of total general fund expenditures, while total fund balance represents 12.9% of that same amount. During 2017, the fund balance of the general fund increased by \$1.4 million. This increase was primarily due to favorable general fund budgetary results, a decrease in the accrual for the Appellate Tax Board cases of \$150 thousand due to the telecom cases being settled, and the receipt of \$167,000 of an unbudgeted transfer in from the Ambulance fund.

The internal service fund ending net position was \$81,000. This is a decrease of \$286,000 over the prior year. The decrease was primarily due to the Town using the funds to pay for a portion of employees' dental premiums in 2017 and expects to use the remaining balance during 2018 to close out the fund. 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 \$364,000 in appropriations between the original and final amended budget. This was the net result of various appropriation increases at the October 2016 Fall and April 2017 Special Town Meetings with the largest being a \$315,000 increase in the Town's public works budget for snow and ice and municipal maintenance.

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, 2017 amounts to \$134.1 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 \$362,000 which consisted of an increase of \$1.3 million for governmental activities offset with a decrease of \$1.6 million in the business-type activities. The increase in governmental activities is due to the fact that current year additions exceeded depreciation and for business-type activities the decrease is due to the fact that depreciation exceeded current year capital additions.

Debt Administration

At the end of the current year, the Town of Wareham had total debt outstanding of \$26.5 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 \$865,000 is in short term notes, and the remaining \$25.6 million is in outstanding long-term bonds, of which \$2.4 million relates to governmental and \$23.2 million relates to business-type activities.

In order to take advantage of favorable interest rates, the Town issued \$1.745 million of general obligation refunding bonds on July 25, 2016. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$1.8 million and became callable on September 15, 2016. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$171,951 and a reduction of \$184,460 in future debt service payments.

The Town has authorized but unissued debt of \$7.2 million.

The Town has an "Aa3" 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.

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.

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Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2017

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 11,912,192	\$ 14,350,539	\$ 26,262,731
Investments.....	5,533,226	-	5,533,226
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	719,688	-	719,688
Tax liens.....	1,980,947	348,224	2,329,171
Motor vehicle excise taxes.....	950,366	-	950,366
User fees.....	-	1,115,165	1,115,165
Loans.....	213,859	-	213,859
Departmental and other.....	881,217	-	881,217
Special assessments.....	43,000	528,127	571,127
Intergovernmental.....	2,073,619	834,719	2,908,338
Tax foreclosures.....	607,940	-	607,940
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	3,175,263	3,175,263
Special assessments.....	388,866	10,067,402	10,456,268
Loans.....	1,157,917	-	1,157,917
Capital assets, non-depreciable.....	5,817,567	4,842,708	10,660,275
Capital assets, depreciable.....	67,685,396	55,711,760	123,397,156
TOTAL ASSETS.....	99,965,800	90,973,907	190,939,707
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	4,622,822	338,587	4,961,409
LIABILITIES			
CURRENT:			
Warrants payable.....	1,878,851	495,096	2,373,947
Accrued payroll.....	6,023	-	6,023
Tax refunds payable.....	88,000	-	88,000
Accrued interest.....	10,805	255,886	266,691
Payroll withholdings.....	462,625	-	462,625
Other liabilities.....	263	-	263
Capital lease obligations.....	103,468	-	103,468
Compensated absences.....	982,000	61,000	1,043,000
Notes payable.....	864,900	-	864,900
Bonds payable.....	641,747	2,505,476	3,147,223
NONCURRENT:			
Capital lease obligations.....	43,271	-	43,271
Compensated absences.....	734,000	14,000	748,000
Other postemployment benefits.....	41,530,663	932,908	42,463,571
Bonds payable.....	1,805,312	20,691,787	22,497,099
Net pension liability.....	32,679,616	2,393,539	35,073,155
TOTAL LIABILITIES.....	81,831,544	27,349,692	109,181,236
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	1,011,418	74,079	1,085,497
NET POSITION			
Net investment in capital assets.....	70,269,175	46,519,730	116,788,905
Restricted for:			
Streets.....	1,202,106	-	1,202,106
Community preservation.....	3,407,541	-	3,407,541
Permanent funds:			
Expendable.....	329,779	-	329,779
Nonexpendable.....	377,558	-	377,558
Grants and gifts.....	1,747,114	-	1,747,114
Unrestricted.....	(55,587,613)	17,368,993	(38,218,620)
TOTAL NET POSITION.....	\$ 21,745,660	\$ 63,888,723	\$ 85,634,383

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 8,231,819	\$ 1,892,804	\$ 618,733	\$ -	\$ (5,720,282)
Public safety.....	11,418,974	1,882,723	104,349	10,000	(9,421,902)
Education.....	56,763,773	812,626	23,289,439	1,231,854	(31,429,854)
Public works.....	5,599,736	501,706	110,206	703,086	(4,284,738)
Human services.....	1,090,657	355,938	297,087	-	(437,632)
Community preservation.....	1,011,489	-	-	156,693	(854,796)
Culture and recreation.....	658,027	182,077	23,270	-	(452,680)
Interest.....	64,257	-	-	-	(64,257)
Total Governmental Activities.....	<u>84,838,732</u>	<u>5,627,874</u>	<u>24,443,084</u>	<u>2,101,633</u>	(52,666,141)
<i>Business-Type Activities:</i>					
Water Pollution Control Facility.....	<u>6,563,529</u>	<u>6,589,622</u>	<u>-</u>	<u>996,114</u>	1,022,207
Total Primary Government.....	<u>\$ 91,402,261</u>	<u>\$ 12,217,496</u>	<u>\$ 24,443,084</u>	<u>\$ 3,097,747</u>	\$ (51,643,934)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (52,666,141)	\$ 1,022,207	\$ (51,643,934)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	37,178,562	-	37,178,562
Tax liens.....	646,201	-	646,201
Motor vehicle and other excise taxes.....	4,214,211	-	4,214,211
Penalties and interest on taxes.....	288,549	-	288,549
Community preservation surtax.....	696,170	-	696,170
Grants and contributions not restricted to specific programs.....	3,543,954	-	3,543,954
Unrestricted investment income.....	365,131	56,023	421,154
Miscellaneous.....	130,686	-	130,686
<i>Transfers, net</i>	882,096	(882,096)	-
Total general revenues and transfers.....	<u>47,945,560</u>	<u>(826,073)</u>	<u>47,119,487</u>
Change in net position.....	(4,720,581)	196,134	(4,524,447)
<i>Net Position:</i>			
Beginning of year.....	<u>26,466,241</u>	<u>63,692,589</u>	<u>90,158,830</u>
End of year.....	\$ <u><u>21,745,660</u></u>	\$ <u><u>63,888,723</u></u>	\$ <u><u>85,634,383</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2017

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents.....	\$ 7,551,064	\$ 4,361,128	\$ 11,912,192
Investments.....	2,480,754	2,971,121	5,451,875
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	710,470	9,218	719,688
Tax liens.....	1,968,233	12,714	1,980,947
Motor vehicle excise taxes.....	950,366	-	950,366
Departmental and other.....	279,375	601,842	881,217
Special assessments.....	-	431,866	431,866
Intergovernmental.....	-	2,073,619	2,073,619
Loans.....	-	1,371,776	1,371,776
Tax foreclosures.....	607,940	-	607,940
TOTAL ASSETS.....	\$ 14,548,202	\$ 11,833,284	\$ 26,381,486
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Warrants payable.....	\$ 1,098,056	\$ 780,795	\$ 1,878,851
Accrued payroll.....	6,023	-	6,023
Tax refunds payable.....	88,000	-	88,000
Payroll withholdings.....	462,625	-	462,625
Other liabilities.....	263	-	263
Notes payable.....	-	864,900	864,900
TOTAL LIABILITIES.....	1,654,967	1,645,695	3,300,662
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues.....	4,355,727	3,786,215	8,141,942
FUND BALANCES			
Nonspendable.....	-	377,558	377,558
Restricted.....	-	6,898,516	6,898,516
Committed.....	888,469	-	888,469
Assigned.....	75,607	-	75,607
Unassigned.....	7,573,432	(874,700)	6,698,732
TOTAL FUND BALANCES.....	8,537,508	6,401,374	14,938,882
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 14,548,202	\$ 11,833,284	\$ 26,381,486

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, 2017

Total governmental fund balances.....		\$ 14,938,882
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		73,502,963
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		8,141,942
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.....		3,611,404
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.....		81,351
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(10,805)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(2,447,059)	
Capital lease obligations.....	(146,739)	
Other postemployment benefits.....	(41,530,663)	
Compensated absences.....	(1,716,000)	
Net pension liability.....	<u>(32,679,616)</u>	
Net effect of reporting long-term liabilities.....		<u>(78,520,077)</u>
Net position of governmental activities.....		<u>\$ 21,745,660</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2017

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Real estate and personal property taxes, net of tax refunds..... \$	37,132,599	\$ -	\$ 37,132,599
Community preservation surtax.....	-	695,847	695,847
Tax liens.....	471,928	5,885	477,813
Motor vehicle and other excise taxes.....	3,859,586	-	3,859,586
Charges for services.....	1,037,772	84,211	1,121,983
Penalties and interest on taxes.....	269,429	19,120	288,549
Fees and rentals.....	-	1,825,925	1,825,925
Licenses and permits.....	1,355,615	-	1,355,615
Fines and forfeitures.....	117,092	-	117,092
Intergovernmental.....	21,624,637	8,155,484	29,780,121
Departmental and other.....	-	1,315,781	1,315,781
Contributions.....	-	862,118	862,118
Investment income.....	286,906	72,133	359,039
Miscellaneous.....	130,703	-	130,703
TOTAL REVENUES.....	66,286,267	13,036,504	79,322,771
EXPENDITURES:			
Current:			
General government.....	3,010,494	1,939,292	4,949,786
Public safety.....	6,098,117	1,668,990	7,767,107
Education.....	31,300,560	7,708,057	39,008,617
Public works.....	2,886,826	1,212,140	4,098,966
Human services.....	508,507	146,627	655,134
Community preservation.....	-	1,201,543	1,201,543
Culture and recreation.....	218,540	145,691	364,231
Pension benefits.....	9,485,918	-	9,485,918
Employee benefits.....	8,188,979	-	8,188,979
State and county charges.....	3,839,237	-	3,839,237
Debt service:			
Principal.....	569,636	71,747	641,383
Interest.....	66,236	-	66,236
TOTAL EXPENDITURES.....	66,173,050	14,094,087	80,267,137
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	113,217	(1,057,583)	(944,366)
OTHER FINANCING SOURCES (USES):			
Capital lease financing.....	129,939	-	129,939
Transfers in.....	1,353,144	211,265	1,564,409
Transfers out.....	(211,265)	(471,048)	(682,313)
TOTAL OTHER FINANCING SOURCES (USES).....	1,271,818	(259,783)	1,012,035
NET CHANGE IN FUND BALANCES.....	1,385,035	(1,317,366)	67,669
FUND BALANCES AT BEGINNING OF YEAR.....	7,152,473	7,718,740	14,871,213
FUND BALANCES AT END OF YEAR..... \$	\$ 8,537,508	\$ 6,401,374	\$ 14,938,882

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds.....		\$ 67,669
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	4,901,707	
Depreciation expense.....	<u>(3,629,604)</u>	
Net effect of reporting capital assets.....		1,272,103
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(92,808)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net 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.</p>		
Debt service principal payments.....	<u>641,383</u>	
Net effect of reporting long-term debt.....		641,383
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences.....	61,000	
Net change in accrued interest on long-term debt.....	1,979	
Net change in capital lease obligation.....	28,892	
Net change in other postemployment benefits.....	(5,133,344)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	22,033	
Net change in net pension liability.....	<u>(1,303,398)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		(6,322,838)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>(286,090)</u>
Change in net position of governmental activities.....		<u>\$ (4,720,581)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2017

	Business-type Activities - Water Pollution Control Facility	Governmental Activities - Internal Service Funds
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 14,350,539	\$ -
Investments.....	-	81,351
Receivables, net of allowance for uncollectibles:		
User fees.....	1,115,165	-
Sewer liens.....	348,224	-
Special assessments.....	528,127	-
Intergovernmental.....	834,719	-
Total current assets.....	<u>17,176,774</u>	<u>81,351</u>
NONCURRENT:		
Receivables, net of allowance for uncollectibles:		
Intergovernmental.....	3,175,263	-
Special assessments.....	10,067,402	-
Capital assets, non depreciable.....	4,842,708	-
Capital assets, depreciable.....	55,711,760	-
Total noncurrent assets.....	<u>73,797,133</u>	<u>-</u>
TOTAL ASSETS.....	<u>90,973,907</u>	<u>81,351</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions.....	<u>338,587</u>	<u>-</u>
LIABILITIES		
CURRENT:		
Warrants payable.....	495,096	-
Accrued interest.....	255,886	-
Compensated absences.....	61,000	-
Bonds payable.....	2,505,476	-
Total current liabilities.....	<u>3,317,458</u>	<u>-</u>
NONCURRENT:		
Compensated absences.....	14,000	-
Other postemployment benefits.....	932,908	-
Bonds payable.....	20,691,787	-
Net pension liability.....	2,393,539	-
Total noncurrent liabilities.....	<u>24,032,234</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>27,349,692</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions.....	<u>74,079</u>	<u>-</u>
NET POSITION		
Net investment in capital assets.....	46,519,730	-
Unrestricted.....	17,368,993	81,351
TOTAL NET POSITION.....	<u>\$ 63,888,723</u>	<u>\$ 81,351</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

	Business-type Activities - Water Pollution Control Facility	Governmental Activities - Internal Service Funds
OPERATING REVENUES:		
Charges for services.....	\$ 6,550,796	\$ -
Other.....	38,826	-
TOTAL OPERATING REVENUES	6,589,622	-
OPERATING EXPENSES:		
Cost of services and administration.....	3,283,193	-
Depreciation.....	2,583,784	-
Employee benefits	-	292,182
TOTAL OPERATING EXPENSES	5,866,977	292,182
OPERATING INCOME (LOSS).....	722,645	(292,182)
NONOPERATING REVENUES (EXPENSES):		
Investment income.....	56,023	6,092
Interest expense.....	(696,552)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(640,529)	6,092
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS.....	82,116	(286,090)
CAPITAL CONTRIBUTIONS.....	996,114	-
TRANSFERS:		
Transfers out.....	(882,096)	-
CHANGE IN NET POSITION.....	196,134	(286,090)
NET POSITION AT BEGINNING OF YEAR.....	63,692,589	367,441
NET POSITION AT END OF YEAR.....	\$ 63,888,723	\$ 81,351

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

	<u>Business-type Activities - Water Pollution Control Facility</u>	<u>Governmental Activities - Internal Service Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users.....	\$ 6,403,659	\$ -
Payments to vendors.....	(2,242,716)	-
Payments to employees.....	(805,135)	-
Payments for interfund services used.....	-	(292,182)
NET CASH FROM OPERATING ACTIVITIES.....	<u>3,355,808</u>	<u>(292,182)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Transfers out.....	(882,096)	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Proceeds from the issuance of refunding bonds.....	1,745,000	-
Payment on refunding debt.....	(1,800,000)	-
Premium from the issuance of refunding bonds; net of issue costs and deferred loss.....	55,000	-
Acquisition and construction of capital assets.....	(949,443)	-
Principal payments on bonds and notes.....	(2,423,082)	-
Betterments and interest on betterments.....	1,437,024	-
Interest expense.....	(805,324)	-
Intergovernmental.....	631,367	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(2,109,458)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Net proceeds from sales/purchases of investments.....	-	(81,351)
Investment income.....	56,023	6,092
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	420,277	(367,441)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>13,930,262</u>	<u>367,441</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 14,350,539</u>	<u>\$ -</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>		
Operating income (loss).....	\$ 722,645	\$ (292,182)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation.....	2,583,784	-
Deferred (outflows)/inflows related to pensions.....	30,786	-
Changes in assets and liabilities:		
Tax liens.....	(5,008)	-
User fees.....	(180,955)	-
Other postemployment benefits obligation.....	118,096	-
Warrants payable.....	289,211	-
Accrued compensated absences.....	(15,000)	-
Net pension liability.....	(187,751)	-
Total adjustments.....	<u>2,633,163</u>	<u>-</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 3,355,808</u>	<u>\$ (292,182)</u>
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>		
Principal and interest intergovernmental subsidies.....	\$ (742,257)	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ -	\$ 139,107	\$ 776,293
Investments.....	336,839	456,733	-
TOTAL ASSETS.....	336,839	595,840	776,293
LIABILITIES			
Warrants payable.....	-	3,202	-
Liabilities due depositors.....	-	-	580,586
Other liabilities.....	-	-	195,707
TOTAL LIABILITIES.....	-	3,202	776,293
NET POSITION			
Restricted for OPEB benefits.....	336,839	-	-
Held in trust for other purposes.....	-	592,638	-
TOTAL NET POSITION.....	\$ 336,839	\$ 592,638	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2017

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions to the trust.....	\$ 250,000	\$ -
Employer contributions to pay benefit payments.....	2,842,887	-
Contributions.....	<u>-</u>	<u>28,800</u>
Total contributions.....	<u>3,092,887</u>	<u>28,800</u>
Net investment income (loss):		
Investment income.....	<u>40,019</u>	<u>10,558</u>
TOTAL ADDITIONS.....	<u>3,132,906</u>	<u>39,358</u>
DEDUCTIONS:		
Benefit payments.....	2,842,887	-
Educational scholarships.....	<u>-</u>	<u>36,100</u>
TOTAL DEDUCTIONS.....	<u>2,842,887</u>	<u>36,100</u>
CHANGE IN NET ASSETS.....	290,019	3,258
NET POSITION AT BEGINNING OF YEAR.....	<u>46,820</u>	<u>589,380</u>
NET POSITION AT END OF YEAR.....	<u>\$ 336,839</u>	<u>\$ 592,638</u>

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 2017 assessment totaled \$3,068,911. 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 2016, the Town is no longer self-insured for its health or dental activities. In 2017, the Town paid half of employees' dental premiums and expects to use the remaining funds for a similar expense in 2018.

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, 2017, 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, 2017, the \$336,839 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 \$27,014,246 and the bank balance totaled \$28,821,689. Of the bank balance, \$3,953,103 was covered by Federal Depository Insurance, \$5,100,647 was covered by the Depositors Insurance Fund, \$3,876,062 was covered by the Share Insurance Fund, \$14,174,720 was collateralized, \$6,061 was covered by Securities Investor Protection corporation, and \$1,711,096 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, 2017 the Town had the following investments:

Investment Type	Fair Value	Maturity 1-5 Years	Quality Rating
<u>Debt Securities</u>			
Government Sponsored Enterprises.....	\$ 2,377,554	\$ 2,377,554	AA+
U.S. Treasury Notes.....	811,690	811,690	AAA
Corporate Bonds.....	<u>1,524,012</u>	<u>1,524,012</u>	A, BBB, BB+
Total Debt Securities.....	4,713,256	<u>\$ 4,713,256</u>	
 <u>Other Investments</u>			
Equity Securities.....	856,506		
Money Market Mutual Funds.....	163,885		
Mutual Funds (OPEB).....	336,839		
Mutual Funds.....	<u>420,197</u>		
Total Investments.....	<u>\$ 6,490,683</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, \$2,377,554 of Government Sponsored Enterprises, \$811,690 of U.S. Treasury Notes, \$1,524,012 of Corporate Bonds, and \$856,506 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.

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, 2017:

Investment Type	6/30/17	Fair Value Measurements Using		
		Quoted Markets for Identical (Level 1)	Other Observable (Level 2)	Significant Unobservable (Level 3)
<u>Debt Securities:</u>				
Government Sponsored Enterprises.....	\$ 2,377,554	\$ 2,377,554	\$ -	\$ -
U.S. Treasury Notes.....	811,690	811,690	-	-
Corporate bonds.....	<u>1,524,012</u>	<u>-</u>	<u>1,524,012</u>	<u>-</u>
Total debt securities.....	<u>4,713,256</u>	<u>3,189,244</u>	<u>1,524,012</u>	<u>-</u>
<u>Other investments:</u>				
Equity securities.....	\$ 856,506	\$ 856,506	\$ -	\$ -
Money market mutual funds.....	163,885	163,885	-	-
Mutal funds (OPEB).....	336,839	336,839	-	-
Mutual funds.....	<u>420,197</u>	<u>420,197</u>	<u>-</u>	<u>-</u>
Total other investments.....	<u>1,777,427</u>	<u>1,777,427</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value.....	\$ <u>6,490,683</u>	\$ <u>4,966,671</u>	\$ <u>1,524,012</u>	\$ <u>-</u>

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. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

NOTE 3 – RECEIVABLES

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

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 751,688	\$ (32,000)	\$ 719,688
Tax liens.....	1,980,947	-	1,980,947
Motor vehicle and other excise taxes.....	1,108,366	(158,000)	950,366
Departmental and other.....	1,046,217	(165,000)	881,217
Special assessments.....	431,866	-	431,866
Intergovernmental.....	2,073,619	-	2,073,619
Loans.....	1,371,776	-	1,371,776
Total.....	<u>\$ 8,764,479</u>	<u>\$ (355,000)</u>	<u>\$ 8,409,479</u>

At June 30, 2017, receivables for the enterprise funds consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
User fees.....	\$ 1,115,165	\$ -	\$ 1,115,165
Tax liens.....	348,224	-	348,224
Special assessments.....	10,595,529	-	10,595,529
Intergovernmental.....	4,009,982	-	4,009,982
Total.....	<u>\$ 16,068,900</u>	<u>\$ -</u>	<u>\$ 16,068,900</u>

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:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Receivable and other asset type:</u>			
Real estate, personal property and tax deferrals....	\$ 550,667	\$ 9,217	\$ 559,884
Tax liens.....	1,968,233	12,714	1,980,947
Motor vehicle and other excise.....	950,366	-	950,366
Departmental and other.....	278,521	601,843	880,364
Special assessments.....	-	431,866	431,866
Intergovernmental.....	-	1,358,799	1,358,799
Loans.....	-	1,371,776	1,371,776
Tax foreclosures.....	607,940	-	607,940
Total.....	<u>\$ 4,355,727</u>	<u>\$ 3,786,215</u>	<u>\$ 8,141,942</u>

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 5,788,817	\$ 28,750	\$ -	\$ 5,817,567
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	69,692,690	1,581,212	-	71,273,902
Land improvements.....	4,338,491	-	-	4,338,491
Machinery and equipment.....	5,950,994	300,270	-	6,251,264
Vehicles.....	5,794,100	1,336,433	-	7,130,533
Infrastructure.....	56,590,904	1,655,042	-	58,245,946
Total capital assets being depreciated.....	142,367,179	4,872,957	-	147,240,136
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(35,785,436)	(1,186,828)	-	(36,972,264)
Land improvements.....	(2,404,038)	(236,254)	-	(2,640,292)
Machinery and equipment.....	(4,966,878)	(272,564)	-	(5,239,442)
Vehicles.....	(4,804,992)	(474,584)	-	(5,279,576)
Infrastructure.....	(27,963,792)	(1,459,374)	-	(29,423,166)
Total accumulated depreciation.....	(75,925,136)	(3,629,604)	-	(79,554,740)
Total capital assets being depreciated, net.....	66,442,043	1,243,353	-	67,685,396
Total governmental activities capital assets, net.....	\$ 72,230,860	\$ 1,272,103	\$ -	\$ 73,502,963

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,842,708	\$ -	\$ -	\$ 4,842,708
<u>Capital assets being depreciated:</u>				
Buildings.....	29,998,148	308,343	-	30,306,491
Machinery and equipment.....	14,083,270	29,354	-	14,112,624
Vehicles.....	1,011,611	444,731	-	1,456,342
Infrastructure.....	57,137,268	167,015	-	57,304,283
Total capital assets being depreciated.....	<u>102,230,297</u>	<u>949,443</u>	-	<u>103,179,740</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(7,834,973)	(609,580)	-	(8,444,553)
Machinery and equipment.....	(11,292,751)	(384,827)	-	(11,677,578)
Vehicles.....	(781,513)	(49,111)	-	(830,624)
Infrastructure.....	<u>(24,974,959)</u>	<u>(1,540,266)</u>	-	<u>(26,515,225)</u>
Total accumulated depreciation.....	<u>(44,884,196)</u>	<u>(2,583,784)</u>	-	<u>(47,467,980)</u>
Total capital assets being depreciated, net.....	<u>57,346,101</u>	<u>(1,634,341)</u>	-	<u>55,711,760</u>
Total business-type activities capital assets, net.....	<u>\$ 62,188,809</u>	<u>\$ (1,634,341)</u>	<u>\$ -</u>	<u>\$ 60,554,468</u>

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

Governmental Activities:

General government.....	\$ 185,205
Public safety.....	371,951
Education.....	1,383,356
Public works.....	1,504,902
Human services.....	55,904
Culture and recreation.....	99,912
Community preservation.....	<u>28,374</u>
Total depreciation expense - governmental activities.....	<u>\$ 3,629,604</u>

Business-Type Activities:

Water Pollution Control Facility.....	<u>\$ 2,583,784</u>
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NOTE 5 – INTERFUND RECEIVABLES AND TRANSFERS

There were no interfund receivables as of June 30, 2017.

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

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....\$	-	\$ 211,265	\$ 211,265 (1)
Nonmajor Governmental Funds.....	471,048	-	471,048 (2)
Water Pollution Control Facility.....	882,096	-	882,096 (3)
	<u>\$ 1,353,144</u>	<u>\$ 211,265</u>	<u>\$ 1,564,409</u>

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

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

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

NOTE 6 – CAPITAL LEASES

The Town has entered into various lease agreements to finance the acquisition of police vehicles. These 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.....	\$ 482,943
Less: accumulated depreciation.....	<u>(333,802)</u>
Total.....	<u>\$ 149,141</u>

Future minimum lease payments under capitalized leases consist of the following at June 30, 2017:

<u>Years Ending June 30</u>	<u>Governmental Activities</u>
2018.....	\$ 111,695
2019.....	<u>45,651</u>
Total minimum lease payments.....	157,346
Less: amounts representing interest.....	<u>(10,607)</u>
Present value of minimum lease payments.....	<u>\$ 146,739</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:

<u>Type</u>	<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2016</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2017</u>
Governmental Funds:							
BAN	General Obligation BAN (School Equipment).....	0.75%	05/05/2017	\$ 238,200	\$ -	\$ 238,200	\$ -
BAN	MCWT CWT-16-01.....	0.13%	03/15/2018	60,000	46,100	-	106,100
BAN	General Obligation BAN (School Equipment).....	0.13%	05/04/2018	-	158,800	-	158,800
BAN	General Obligation BAN (School Remodeling).....	1.24%	04/19/2017	-	600,000	600,000	-
BAN	General Obligation BAN (School Remodeling).....	0.85%	10/20/2017	-	600,000	-	600,000
Total Short-Term Debt.....				<u>\$ 298,200</u>	<u>\$ 1,404,900</u>	<u>\$ 838,200</u>	<u>\$ 864,900</u>

(1) On October 30, 2017, the Town rolled this BAN into a new BAN totaling \$900,000 with an interest rate of 1.25% and a maturity date of May 18, 2018.

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".

Details related to the outstanding indebtedness at June 30, 2017, 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, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Building Remodeling - Senior Center.....	2017	449,000	4.8%	\$ 21,000	\$ -	\$ 21,000	\$ -
Building Remodeling - School.....	2017	365,000	4.8%	19,000	-	19,000	-
Building Remodeling - School.....	2017	500,000	4.8%	26,000	-	26,000	-
MCWT Title V 97-1019.....	2019	195,676	4.4%	32,604	-	10,868	21,736
MCWT Title V 97-1019 - 1.....	2021	189,474	4.4%	53,832	-	10,353	43,479
Building Remodeling - EMS.....	2020	500,000	4.2%	100,000	-	25,000	75,000
Open Space.....	2019	184,000	4.1%	30,000	-	10,000	20,000
School Bus Garage.....	2020	150,000	4.1%	20,000	-	5,000	15,000
Town Hall Repairs.....	2021	300,000	4.3%	75,000	-	15,000	60,000
School Roof.....	2021	200,000	4.3%	50,000	-	10,000	40,000
Multi-purpose.....	2023	3,609,000	3.8%	175,000	-	30,000	145,000
MCWT Title V 97-1019 - 2.....	2025	185,254	4.6%	80,000	-	10,000	70,000
MCWT Title V 97-1019 - 3C.....	2028	200,000	0.0%	120,000	-	10,000	110,000
MCWT Title V T5-97-1019-D.....	2030	200,000	0.0%	147,370	-	10,526	136,844
State House Notes.....	2018	1,250,000	2.0%	390,000	-	195,000	195,000
MCWT Title V T5-97-1019-E.....	2033	200,000	0.0%	170,000	-	10,000	160,000
State House Notes of 2015.....	2019	303,000	1.5%	180,000	-	60,000	120,000
MCWT Title V T5-97-1019-F.....	2035	200,000	0.0%	190,000	-	10,000	180,000
High School Roof Replacement.....	2021	288,636	2.3%	288,636	-	63,636	225,000
School Buses.....	2023	620,000	.8-1.90%	620,000	-	90,000	530,000
School Computer Hardware & Software.....	2020	300,000	2.00-2.25%	300,000	-	-	300,000
Total.....				\$ 3,088,442	\$ -	\$ 641,383	\$ 2,447,059

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

Year	Principal	Interest	Total
2018.....	\$ 641,747	\$ 42,894	\$ 684,641
2019.....	441,747	30,833	472,580
2020.....	361,913	20,776	382,689
2021.....	326,912	13,269	340,181
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>2,447,059</u>	\$ <u>121,413</u>	\$ <u>2,568,472</u>

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Amount Issued	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Sewer Riverside.....	2022	\$ 180,405	4.3%	\$ 40,000	\$ -	\$ 10,000	\$ 30,000
Sewer Sunset Island.....	2022	265,000	4.3%	60,000	-	10,000	50,000
Sewer Thatcher.....	2022	1,215,000	4.4%	360,000	-	60,000	300,000
Engineering- Water Pollution.....	2022	1,350,000	4.4%	390,000	-	65,000	325,000
Sewer Design & Construction.....	2018	2,106,000	4.8%	204,000	-	104,000	100,000
Sewer Design & Construction.....	2020	468,200	6.0%	62,425	-	15,606	46,819
MCWT Construction 96-15.....	2017	1,470,980	5.4%	113,308	-	113,308	-
MCWT Construction 91-18.....	2017	1,411,886	5.4%	108,756	-	108,756	-
MCWT Construction CW-01-41.....	2023	8,823,166	5.0%	3,985,000	-	520,000	3,465,000
MCWT Construction CW-02-49.....	2024	10,878,067	5.0%	5,846,000	-	652,000	5,194,000
Sewer Planning.....	2023	597,000	3.9%	215,000	-	35,000	180,000
Sewer Weweatic.....	2026	3,305,000	3.9%	1,605,000	-	1,605,000	-
Sewer Pump Station.....	2026	500,000	3.6%	400,000	-	400,000	-
MCWT Construction CW-02-49A.....	2027	688,636	0.0%	420,837	-	38,257	382,580
MCWT Construction CW-05-10.....	2027	4,978,306	2.0%	3,251,890	-	266,959	2,984,931
MCWT Construction CWS-07-37.....	2031	6,567,049	2.0%	5,162,771	-	298,104	4,864,667
Serial State Issue-Sewer.....	2017	667,000	2.5%	130,000	-	130,000	-
MCWT CWS-07-37-A.....	2033	46,868,271	2.0%	3,738,398	-	184,132	3,554,266
Sewer Weweatic Refunding Bonds.....	2026	1,395,000	3.0%	-	1,395,000	20,000	1,375,000
Sewer Pump Station Refunding Bonds.....	2026	350,000	3.0%	-	350,000	5,000	345,000
Total.....				\$ <u>26,093,385</u>	\$ <u>1,745,000</u>	\$ <u>4,641,122</u>	\$ <u>23,197,263</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
2018.....	\$ 2,505,476	\$ 633,466	\$ 3,138,942
2019.....	2,451,210	558,403	3,009,613
2020.....	2,502,271	446,554	2,948,825
2021.....	2,548,053	361,313	2,909,366
2022.....	2,599,781	275,454	2,875,235
2023.....	2,511,853	174,811	2,686,664
2024.....	1,889,277	135,506	2,024,783
2025.....	1,105,058	112,499	1,217,557
2026.....	1,118,210	89,732	1,207,942
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	2,597	262,333
Total.....	\$ <u>23,197,263</u>	\$ <u>3,009,659</u>	\$ <u>26,206,922</u>

In order to take advantage of favorable interest rates, the Town issued \$1,745,000 of general obligation refunding bonds on July 25, 2016. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$1,800,000 and became callable on September 15, 2016. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$171,951 and a reduction of \$184,460 in future debt service payments.

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 \$2,356,000 and interest costs for \$1,039,000. Thus, net MCWT loan repayments, including interest, are scheduled to be \$19,704,000. The principal subsidies are guaranteed and therefore a \$2,356,000 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 2017 principal and interest subsidies totaled \$418,000 and \$324,000 respectively.

The Massachusetts School Building Authority (MSBA) offers a construction grant program which pays the Town the State's share of approved school construction costs and therefore eliminates the need for the Town to fund the State's share through long-term debt. The John William Decas School project is being funded by this program. The total grant received by the Town is expected to be approximately \$2.5 million. The Town received approximately \$484,000 in 2017 and recorded a receivable for \$540,000 for reimbursements that were not received prior to year-end.

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

At June 30, 2017, the Town had the following authorized and unissued debt:

Purpose	Amount
School Buses.....	\$ 360,000
School Equipment and Technology - Textbooks.....	158,800
School Equipment and Technology - Computer Hardware.....	42,000
High School Roof Replacement.....	2,208,922
Parker Mills Pond Dam Repairs.....	1,000,000
Forest Feasibility Study.....	1,000,000
Decas School Repairs/Replacement.....	2,442,181
Total.....	\$ 7,211,903

Changes in Long-Term Liabilities

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

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Governmental Activities:					
Long-Term Bonds.....	\$ 3,088,442	\$ -	\$ (641,383)	\$ 2,447,059	\$ 641,747
Other Postemployment Benefits.....	36,397,319	8,215,919	(3,082,575)	41,530,663	-
Compensated Absences.....	1,777,000	930,000	(991,000)	1,716,000	982,000
Capital Leases.....	175,631	129,939	(158,831)	146,739	103,468
Net Pension Liability.....	31,376,218	4,658,014	(3,354,616)	32,679,616	-
Total.....	\$ 72,814,610	\$ 13,933,872	\$ (8,228,405)	\$ 78,520,077	\$ 1,727,215
Business-Type Activities:					
Long-Term Bonds.....	\$ 26,093,385	\$ 1,745,000	\$ (4,641,122)	\$ 23,197,263	\$ 2,505,476
Other Postemployment Benefits.....	814,812	128,408	(10,312)	932,908	-
Compensated Absences.....	90,000	38,000	(53,000)	75,000	61,000
Net Pension Liability.....	2,581,290	57,950	(245,701)	2,393,539	-
Total.....	\$ 29,579,487	\$ 1,969,358	\$ (4,950,135)	\$ 26,598,710	\$ 2,566,476

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 \$3,136,520 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.....\$	-	\$ 377,558	\$ 377,558
Restricted for:			
Revolving funds.....	-	1,490,876	1,490,876
Private/local gift and grant funds.....	-	692,927	692,927
School lunch.....	-	254,955	254,955
Town grant funds.....	-	89,920	89,920
School grant funds.....	-	709,312	709,312
Community preservation fund.....	-	3,228,919	3,228,919
Town capital projects.....	-	101,828	101,828
Other permanent funds.....	-	329,779	329,779
Committed to:			
General government.....	521,472	-	521,472
Public safety.....	73,226	-	73,226
Education.....	157,840	-	157,840
Public works.....	126,163	-	126,163
Human services.....	9,768	-	9,768
Assigned to:			
General government.....	15,261	-	15,261
Public safety.....	2,095	-	2,095
Education.....	35,107	-	35,107
Public works.....	23,144	-	23,144
Unassigned.....	7,573,432	(874,700)	6,698,732
TOTAL FUND BALANCES.....\$	8,537,508	6,401,374	14,938,882

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.

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, 2017, 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, 2016. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$5,813,566 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 \$56,992,087 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, 2016.

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, 2016, was \$3,600,317, 25.67% 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 \$3,600,317 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, 2017, the Town reported a liability of \$35,073,155 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2016, the Town's proportion was 5.5364%, which increased from the proportion measured at December 31, 2015 by .182%

Pension Expense

For the year ended June 30, 2017, the Town recognized pension expense of \$4,724,717. At June 30, 2017, the Town reported deferred outflows of resources related to pensions of \$4,961,409, and deferred inflows of resources related to pensions of \$1,085,497.

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

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....\$	914,937	\$ -	\$ 914,937
Net difference between projected and actual investment earnings on pension plan investments.....	3,385,867	-	3,385,867
Changes of assumptions.....	-	(999,579)	(999,579)
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	660,605	(85,918)	574,687
Total Deferred Outflows/(Inflows) of Resources.....\$	4,961,409	\$ (1,085,497)	\$ 3,875,912

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

Year ended June 30:

2018.....	\$ 1,360,558
2019.....	1,360,558
2020.....	987,720
2021.....	167,076
Total.....	\$ 3,875,912

Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date.....	January 1, 2017
Actuarial cost method.....	Individual Entry Age Normal Actuarial Cost Method
Amortization method.....	Payments increase at 3.5% for the unfunded actuarial accrued liability, and level amortization of the 2002, 2003, and 2013 Early Retirement Incentives
Remaining amortization period.....	Amortization of the unfunded actuarial accrued liability over 12 years, the 2002 ERI over two years, 2003 ERI over three years, and the 2013 ERI over 11 years; all as of July 1, 2017
Asset valuation method.....	Market Value with a five-year smoothing of asset returns greater than or less than the assumed rate of return, with a 20% corridor.
Projected salary increases.....	3.75% per year
Cost of living adjustments.....	3.0% of the first \$14,000 of retirement income
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.....	It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2016, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2016.
Rate of investment return.....	8% nominal rate, net of investment expense

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, 2017 are summarized in the following table:

Asset Class	Long-Term Expected Nominal Real Rate of Return	Long-Term Expected Asset Allocation
US equity.....	7.50%	26.50%
Developed markets equity.....	7.30%	16.00%
Emerging markets equity.....	9.80%	4.00%
Core bonds.....	4.20%	11.50%
Foreign bonds.....	2.40%	3.00%
Emerging markets bonds.....	5.50%	4.00%
High yield bonds.....	6.00%	4.00%
Bank loans.....	5.50%	3.00%
Private equity.....	9.60%	10.00%
Real estate.....	6.90%	10.00%
Natural resources.....	7.00%	1.00%
Infrastructure.....	7.80%	2.00%
Hedge fund of funds.....	5.30%	4.00%
Cash.....	2.80%	1.00%
Total.....		100.00%

Rate of return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.4%. 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 Rate (8.00%)	1% Increase (9.00%)
The Town's proportionate share of the net pension liability.....	\$ 43,842,525	\$ 35,073,155	\$ 27,597,610

Changes in Assumptions

Cost of living increases were 3.0% of the first \$14,000 of retirement income, as compared to \$13,000 in the prior year.

The annual rate of both pre-retirement and beneficiary mortality was changed to the RP-2014 Blue Collar Mortality with Scale MP-2016, fully generational table.

The mortality for retired group 1 and 2 members was changed to the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Group 4 retired members were changed to the RP-2014 Blue Collar Mortality table set forward three years for males, and six years for females, fully generational.

The assumed family composition was changed to assume that 80% of all male members and 60% of all female members will be survived by a spouse, as compared to the prior valuation assumption that 80% of all members will be survived by a spouse.

The amortization method changed from the level percent open group method to a method where payments increase at 3.5% for the unfunded actuarial accrued liability and level amortization for the 2002, 2003 and 2013 ERI.

The amortization period changed from 17 years to amortization of the unfunded liability over 12 years, the 2002 ERI over 2 years, the 2003 ERI over 3 years, and the 2013 ERI over 11 years.

The assumed annual increase in administrative expenses was changed to 3.75%, from 4.00%.

Changes in Plan Provisions

None

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.

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 2017, the Town contributed \$3.1 million to the plan.

The annual money-weighted rate of return on OPEB plan investments was 21.58%. The money-weighted rate of return express investment performance, net of OPEB plan investment expense, adjusted for the changing amount actually invested.

Plan Membership - As of the July 1, 2016 actuarial, the Plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependents...	486
Current active members.....	<u>561</u>
Total.....	<u><u>1,047</u></u>

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

Total OPEB liability.....	\$ 112,144,299
Less: OPEB plan's fiduciary net position.....	<u>(336,839)</u>
Net OPEB liability.....	<u><u>\$ 111,807,460</u></u>
The OPEB plan's fiduciary net position	
as a percentage of the total OPEB liability.....	0.30%

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2016 actuarial valuation was determined by using the following actuarial assumptions, applied to all periods including the measurement date that was updated to June 30, 2017 to be in accordance with GASB #74.

Valuation Date.....	Actuarially Determined Contribution was calculated as of June 30, 2017.
Actuarial cost method.....	Individual Entry Age Normal
Asset valuation method.....	Market Value of Assets as of the Measurement Date, June 30, 2017.
Investment rate of return.....	7.20%, net of OPEB plan investment expense, including inflation.
Long-term expected real rate of investment return.....	4.45%
Single equivalent discount rate.....	3.25%, net of OPEB plan investment expense, including inflation.
Inflation.....	2.75% as of June 30, 2017 and for future periods
Salary increases.....	3.00% annually as of June 30, 2017 and for future periods
Healthcare cost trend rate.....	5%
Pre-Retirement mortality.....	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Post-Retirement mortality.....	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Disabled mortality.....	RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 for males and females.

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future 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 of weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan’s expected future real rate of return of 4.45% is added to the expected inflation of 2.75% to procedure the long-term expected nominal rate of return of 7.20%.

Discount rate - The discount rate used to measure the total OPEB liability was 3.25% as of June 30, 2017 and 4.00% as of June 30, 2016. The discount rate is a blend of the long-term expected rate of return on OPEB Trust Fund assets and a yield or index rate for 20 year, tax exempt general obligation municipal bonds, which was based on the S&P Municipal Bond 20 – Year High Grade Index. The blending is based on the sufficiency of projected assets to make projected benefit payments.

Best estimates of geometric real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017 are summarized in the following table.

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity - Large Cap.....	25.00%	4.00%
Domestic Equity - Small/Mid Cap.....	11.00%	6.00%
International Equity - Developed Market.....	27.00%	4.50%
International Equity - Emerging Market.....	7.00%	7.00%
Domestic Fixed Income.....	15.00%	2.00%
International Fixed Income.....	5.00%	3.00%
Alternatives.....	2.50%	6.50%
Real Estate.....	7.50%	6.25%
Total Asset Allocation.....	<u>100.00%</u>	

Sensitivity of the net OPEB liability to changes in the discount rate – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 3.25%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate is 1-percentage-point lower (2.25%) or 1-percentage point higher (4.25%) than the current rate.

	<u>1% Decrease (2.25%)</u>	<u>Current Discount Rate (3.25%)</u>	<u>1% Increase (4.25%)</u>
Net OPEB liability..... \$	\$ 135,388,690	\$ 111,807,460	\$ 95,263,702

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

	<u>1% Decrease (4.00%)</u>	<u>Current Trend (5.00%)</u>	<u>1% Increase (6.00%)</u>
Net OPEB liability..... \$	\$ 88,653,062	\$ 111,807,460	\$ 141,295,084

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.

Change in Assumptions

Discount rate is 3.25% previously 4.0%

The assumed pre-retirement mortality table is the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females – previously RP-2000 Mortality Table projected to 2017.

The assumed post-retirement mortality table is the RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females – previously RP-2000 Mortality Table projected to 2017.

Changes in Plan Provisions

None

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.....	\$	7,490,575
Interest on UAAL.....		1,488,484
Adjustments to annual required contribution.....		<u>(634,732)</u>
Annual OPEB cost (expense).....		8,344,327
Contributions made.....		<u>(3,092,887)</u>
Increase/(Decrease) in net OPEB obligation.....		5,251,440
Net OPEB obligation - beginning of year.....		<u>37,212,131</u>
Net OPEB obligation - end of year.....	\$	<u><u>42,463,571</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and two prior years was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 8,344,327	37%	\$ 42,463,571
6/30/2016	7,693,721	36%	37,212,131
6/30/2015	7,330,225	37%	32,288,881

Funded Status and Funding Progress – As of July 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$95.3 million, of which .05% was funded. The covered payroll (annual payroll of active employees covered by the plan) totaled \$43,727,321.

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, and in 2017, the Town contributed \$250,000.

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, 2016, actuarial valuation, actuarial liabilities were determined using the individual entry age normal 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 2.75%, 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, 2016.

NOTE 13 - COMMITMENTS

The Town has entered into, or is planning to enter into contracts totaling approximately \$7.2 million for various school projects including the High School roof replacement project, 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, 2017, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

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

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 19, 2018, which is the date the financial statements were available to be issued.

NOTE 16 – FUTURE IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2017, the following GASB pronouncements were implemented:

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

The following GASB pronouncements will be implemented in the future:

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

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

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Required Supplementary Information

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

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		
	Amounts Carried forward From Prior Year	Original Budget	Final Budget
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 37,235,685	\$ 37,235,685
Tax liens.....	-	-	-
Motor vehicle and other excise taxes.....	-	3,160,000	3,160,000
Charges for services.....	-	1,015,000	1,015,000
Penalties and interest on taxes.....	-	275,000	275,000
Licenses and permits.....	-	1,010,000	1,010,000
Fines and forfeitures.....	-	45,000	45,000
Intergovernmental.....	-	15,339,714	15,339,715
Investment income.....	-	25,000	25,000
Miscellaneous.....	-	280,000	280,000
TOTAL REVENUES.....	-	58,385,399	58,385,400
EXPENDITURES:			
Current:			
General government.....	514,298	3,546,185	3,617,353
Public safety.....	58,790	6,115,167	6,097,717
Education.....	128,521	31,500,015	31,500,015
Public works.....	195,706	2,746,460	3,061,793
Human services.....	20,274	624,036	616,536
Culture and recreation.....	-	220,224	220,224
Pension benefits.....	-	3,660,317	3,675,317
Employee benefits.....	-	8,655,075	8,642,575
State and county charges.....	-	3,797,734	3,797,734
Debt service:			
Principal.....	-	650,000	650,000
Interest.....	-	95,000	95,000
TOTAL EXPENDITURES.....	917,589	61,610,213	61,974,264
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(917,589)	(3,224,814)	(3,588,864)
OTHER FINANCING SOURCES (USES):			
Transfers in.....	-	1,092,225	1,186,275
Transfers out.....	-	(701,406)	(701,406)
TOTAL OTHER FINANCING SOURCES (USES).....	-	390,819	484,869
OTHER BUDGETARY AMOUNTS:			
Available funds for carryforward articles and encumbrances.....	917,589	917,589	917,589
Free cash and other available funds voted to balance the budget.....	-	1,916,406	2,186,406
TOTAL OTHER BUDGETARY AMOUNTS.....	917,589	2,833,995	3,103,995
NET CHANGE IN FUND BALANCE.....	-	-	-
BUDGETARY FUND BALANCE, Beginning of year.....	-	4,796,193	4,796,193
BUDGETARY FUND BALANCE, End of year.....	\$ -	\$ 4,796,193	\$ 4,796,193

See notes to basic financial statements.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$	36,966,689	\$ -	\$ (268,996)
	471,928	-	471,928
	3,859,586	-	699,586
	1,037,772	-	22,772
	269,429	-	(5,571)
	1,355,615	-	345,615
	117,092	-	72,092
	15,811,071	-	471,356
	229,881	-	204,881
	130,703	-	(149,297)
	<u>60,249,766</u>	<u>-</u>	<u>1,864,366</u>
	3,010,494	536,733	70,126
	5,968,178	75,321	54,218
	31,309,669	192,947	(2,601)
	2,886,826	149,307	25,660
	508,507	9,768	98,261
	218,540	-	1,684
	3,672,352	-	2,965
	8,188,979	-	453,596
	3,839,237	-	(41,503)
	569,636	-	80,364
	66,236	-	28,764
	<u>60,238,654</u>	<u>964,076</u>	<u>771,534</u>
	11,112	(964,076)	2,635,900
	1,353,144	-	166,869
	(831,265)	-	(129,859)
	<u>521,879</u>	<u>-</u>	<u>37,010</u>
	-	-	(917,589)
	-	-	(2,186,406)
	-	-	(3,103,995)
	532,991	(964,076)	(431,085)
	4,796,193	-	-
\$	<u>5,329,184</u>	<u>(964,076)</u>	<u>(431,085)</u>

Pension Plan Schedules

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

The Schedule of 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		December 31, 2016
Town's proportion of the net pension liability (asset).....	5.354%		5.354%		5.536%
Town's proportionate share of the net pension liability (asset).....	\$ 31,209,845	\$	33,957,508	\$	35,073,155
Town's covered employee payroll.....	\$ 12,225,509	\$	12,683,966	\$	14,023,370
Net pension liability as a percentage of covered-employee payroll.....	255.28%		267.72%		250.11%
Plan fiduciary net position as a percentage of the total pension liability.....	58.88%		56.76%		58.32%

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

	June 30, 2014	June 30, 2015	June 30, 2016
Actuarially determined contribution.....	\$ 3,268,147	\$ 3,521,780	\$ 3,600,317
Contributions in relation to the actuarially determined contribution.....	<u>3,268,147</u>	<u>3,521,780</u>	<u>3,600,317</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 12,225,509	\$ 12,683,966	\$ 14,023,370
Contributions as a percentage of covered- employee payroll.....	26.73%	27.77%	25.67%

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>
2017.....	\$ 56,992,087	\$ 5,813,566	52.73%
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 Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

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

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

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

The Schedule of Employer Contributions 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.

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

	June 30, 2017
Total OPEB Liability	
Service Cost.....	\$ 3,584,229
Interest.....	3,575,065
Changes of benefit terms.....	-
Differences between expected and actual experience.....	-
Changes of assumptions.....	-
Benefit payments.....	(2,842,887)
Net change in total OPEB liability.....	4,316,407
Total OPEB liability- beginning.....	107,827,892
Total OPEB liability- ending (a).....	\$ 112,144,299
Plan fiduciary net position	
Contributions- employer	\$ 3,092,887
Net investment income.....	40,019
Benefit payments.....	(2,842,887)
Administrative expense.....	-
Net change in plan fiduciary net position.....	290,019
Plan fiduciary net position- beginning.....	46,820
Plan fiduciary net position- ending (b).....	\$ 336,839
Town's net OPEB liability- ending (a)-(b).....	\$ 111,807,460
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.30%
Covered-employee payroll.....	\$ 43,727,321
Town's net OPEB liability as a percentage of covered-employee payroll.....	255.69%

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

See notes to required supplementary information.

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

	June 30, 2017
Actuarially determined contribution.....	\$ 9,083,603
Contributions in relation to the actuarially determined contribution.....	(3,092,887)
Contribution deficiency (excess).....	\$ 5,990,716
Covered-employee payroll.....	\$ 43,727,321
Contributions as a percentage of covered- employee payroll.....	7.07%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

June 30, 2017

Annual money-weighted rate of return, net of investment expense.....	21.58%
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Note: This schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND 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)
7/1/2016	\$ 46,595	\$ 95,250,326	\$ 95,203,731	0.05%	\$ 43,727,321	217.7%
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
2017	\$ 7,490,575	\$ 3,092,887	41%
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, 2016
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level dollar amortization over 30 years
Remaining amortization period	30 years at July 1, 2016
Asset valuation method	Market Value of the Plan's assets as of the valuation date.

Actuarial Assumptions:

Investment rate of return	4.00%
Medical/drug cost trend rate	5.00%
Compensation increases	3.00%
Inflation rate	2.75%

Plan Membership:

Current retirees, beneficiaries, and dependents...	486
Current active members.....	<u>561</u>
Total.....	<u><u>1,047</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 2017 approved budget and amounts carried forward from prior year authorized approximately \$62.3 million in appropriations and other amounts to be raised. During year 2017, the Town meeting approved subsequent increases in appropriations totaling approximately \$364,000.

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, 2017, is presented below:

Net change in fund balance - budgetary basis.....	\$	532,991
<u>Perspective difference:</u>		
Stabilization fund recorded in the General Fund for GAAP.....		677,025
<u>Basis of accounting differences:</u>		
Net difference in recognition of revenues.....		150,000
Net change in recording expenditures.....		9,109
Net change in recording 60-day receipts accrual.....		15,910
Recognition of revenue for on-behalf payments.....		5,813,566
Recognition of expenditures for on-behalf payments.....		<u>(5,813,566)</u>
Net change in fund balance - GAAP basis.....	\$	<u>1,385,035</u>

C. Appropriation Deficits

During 2017, expenditures exceeded budgeted appropriations for state and county charges and education. 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

- Cost of living increases were 3.0% of the first \$14,000 of retirement income, as compared to \$13,000 in the prior year.
- The annual rate of both pre-retirement and beneficiary mortality was changed to the RP-2014 Blue Collar Mortality with Scale MP-2016, fully generational table.
- The mortality for retired group 1 and 2 members was changed to the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Group 4 retired members were changed to the RP-2014 Blue Collar Mortality table set forward three years for males, and six years for females, fully generational.
- The assumed family composition was changed to assume that 80% of all male members and 60% of all female members will be survived by a spouse, as compared to the prior valuation assumption that 80% of all members will be survived by a spouse.
- The amortization method changed from the level percent open group method to a method where payments increase at 3.5% for the unfunded actuarial accrued liability and level amortization for the 2002, 2003 and 2013 ERI.
- The amortization period changed from 17 years to amortization of the unfunded liability over 12 years, the 2002 ERI over 2 years, the 2003 ERI over 3 years, and the 2013 ERI over 11 years.
- The assumed annual increase in administrative expenses was changed to 3.75%, from 4.00%.

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 Other Postemployment Benefit PlanSchedule of Changes in the Town’s Net Other Postemployment Benefit Liability and Related Ratios

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

Schedule of the Town’s Contributions

The Schedule of the Town’s Contributions includes the Town’s annual required contributions to the Plan, along with the contribution made in relation to the actuarially determine contribution and the covered payroll. The Town

is not required to fully fund this contribution, it also demonstrates the contributions as a percentage of covered payroll.

Schedule of Investment Returns

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

The Town

The Town currently 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.

Schedule of Funding Progress

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.

Schedule of Employer Contributions

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.

Schedule of Actuarial Methods and Assumptions

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

Change in Assumptions

- Discount rate is 3.25% previously 4.0%
- The assumed pre-retirement mortality table is the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females – previously RP-2000 Mortality Table projected to 2017.
- The assumed post-retirement mortality table is the RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females – previously RP-2000 Mortality Table projected to 2017.

Changes in Plan Provisions

- None