



TOWN OF DOUGLAS, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2017

Town of Douglas, Massachusetts

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10 New England Business
Center Dr. • Suite 107
Andover, MA 01810
(978)749-0005
melansonheath.com

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Douglas, Massachusetts

Additional Offices:
Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Douglas, Massachusetts as of and for the year ended June 30, 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

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Douglas, Massachusetts, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Pension and OPEB schedules appearing on pages 54 to 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson Heath

December 12, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Douglas, Massachusetts, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$58,509,146 (i.e., net position), a change of \$2,168,222 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$8,565,715, a change of \$1,533,482 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,146,502, a change of \$150,517 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>					
	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 10,878	\$ 10,446	\$ 1,682	\$ 1,890	\$ 12,560	\$ 12,336
Capital assets	<u>85,261</u>	<u>83,632</u>	<u>8,962</u>	<u>9,059</u>	<u>94,223</u>	<u>92,691</u>
Total assets	96,139	94,078	10,644	10,949	106,783	105,027
Deferred outflows	2,203	1,005	45	21	2,248	1,026
Long-term liabilities outstanding	43,220	41,452	3,424	3,730	46,644	45,182
Other liabilities	<u>3,171</u>	<u>3,855</u>	<u>490</u>	<u>456</u>	<u>3,661</u>	<u>4,311</u>
Total liabilities	46,391	45,307	3,914	4,186	50,305	49,493
Deferred inflows	212	215	4	4	216	219
Net position:						
Net investment in capital assets	64,103	60,741	5,644	5,347	69,747	66,088
Restricted	3,042	2,236	-	-	3,042	2,236
Unrestricted	<u>(15,406)</u>	<u>(13,416)</u>	<u>1,126</u>	<u>1,433</u>	<u>(14,280)</u>	<u>(11,983)</u>
Total net position	\$ 51,739	\$ 49,561	\$ 6,770	\$ 6,780	\$ 58,509	\$ 56,341

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$58,509,146, a change of \$2,168,222 from the prior year.

The largest portion of net position \$69,747,550 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$3,041,546 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit \$(14,279,950), primarily because of unfunded pension and other post-employment benefits (See Notes 17 and 19).

	<u>CHANGES IN NET POSITION</u>					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,163	\$ 1,006	\$ 1,394	\$ 1,238	\$ 2,557	\$ 2,244
Operating grants and contributions	15,597	13,850	-	-	15,597	13,850
Capital grants and contributions	1,552	741	-	-	1,552	741
General revenues:						
Property taxes	15,271	14,811	-	-	15,271	14,811
Excises	1,297	1,257	-	-	1,297	1,257
Penalties and interest on taxes	184	119	-	-	184	119
Grants and contributions not restricted to specific programs	992	918	-	-	992	918
Investment income	30	70	4	3	34	73
Other	537	718	74	6	611	724
Total revenues	36,623	33,490	1,472	1,247	38,095	34,737

(continued)

(continued)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Expenses:						
General government	2,783	3,561	-	-	2,783	3,561
Public safety	4,822	4,613	-	-	4,822	4,613
Education	22,032	20,676	-	-	22,032	20,676
Public works	2,368	1,756	-	-	2,368	1,756
Human services	439	461	-	-	439	461
Culture and recreation	594	459	-	-	594	459
Intergovernmental	392	291	-	-	392	291
Interest on long-term debt	856	1,052	-	-	856	1,052
Water/sewer operations	-	-	1,422	1,389	1,422	1,389
Transfer station	-	-	220	217	220	217
Total expenses	<u>34,286</u>	<u>32,869</u>	<u>1,642</u>	<u>1,606</u>	<u>35,928</u>	<u>34,475</u>
Change in net position before transfers	2,337	621	(170)	(359)	2,167	262
Transfers in (out)	<u>(160)</u>	<u>(389)</u>	<u>160</u>	<u>301</u>	<u>-</u>	<u>(88)</u>
Change in net position	2,177	232	(10)	(58)	2,167	174
Net position - beginning of year	<u>49,561</u>	<u>49,359</u>	<u>6,780</u>	<u>6,838</u>	<u>56,341</u>	<u>56,197</u>
Net position - end of year	<u>\$ 51,738</u>	<u>\$ 49,591</u>	<u>\$ 6,770</u>	<u>\$ 6,780</u>	<u>\$ 58,508</u>	<u>\$ 56,371</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$2,177,667. Key elements of this change are as follows:

General fund operating results	\$ 426,897
Ambulance fund - operating results	46,744
Nonmajor funds - accrual basis	4,088,102
Excess of depreciation a non budgeted expense over principal maturities	(42,921)
Other post employment benefits liability	(1,282,885)
Net pension liability	(2,033,133)
Change in deferred outflows related to pensions	1,198,093
Other GAAP accruals	<u>(223,230)</u>
Total	<u>\$ 2,177,667</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(9,445). Key elements of this change are as follows:

Water/sewer operations	\$ (20,297)
Transfer station operations	<u>10,852</u>
Total	<u>\$ (9,445)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$8,565,715, a change of \$1,533,482 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 426,897
Ambulance fund operating results	46,744
Nonmajor funds operating results	<u>1,059,841</u>
 Total	 <u>\$ 1,533,482</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,146,502, while total fund balance was \$4,862,556. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 3,146,502	\$ 2,995,985	\$ 150,517	10.6%
Total fund balance	\$ 4,862,556	\$ 4,435,659	\$ 426,897	16.4%

The total fund balance of the general fund changed by \$426,897 during the current fiscal year. Key factors in this change are as follows:

Excess of state and local revenues over budget	\$ 750,772
Budgetary appropriation surplus	810,301
Shortfall of tax collections over budget	303,458
Excess of prior year encumbrances to be spent in the current year over current year encumbrances spent in the subsequent year	(243,417)
Use of free cash	(949,986)
Other sources	(23,784)
Change in stabilization balance	(267,153)
Other timing differences	<u>46,706</u>
 Total	 <u>\$ 426,897</u>

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

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
General stabilization	\$ 1,120,912	\$ 1,388,065	\$ (267,153)

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,126,073, a change of \$(307,014) in comparison to the prior year.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriation and reclassifications of \$200,000. Major reasons for these amendments include:

- \$15,400 – Various general government lines
- \$27,000 – Public safety police/fire/ambulance
- \$5,000 – Public works
- \$200,000 – Snow and ice
- \$7,000 – Human services
- \$140,000 – School
- \$4,100 – Debt services
- \$(198,500) – Health insurance
- \$(200,000) – Use of free cash

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$94,223,903 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the completion of the MSBA school construction projects reported as follows:

- \$30,946,110 capitalization of elementary school
- \$17,170,195 capitalization of middle school

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$25,137,966, all of which was backed by the full faith and credit of the Town.

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

REQUESTS FOR INFORMATION

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

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

TOWN OF DOUGLAS, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 8,530,729	\$ 1,621,166	\$ 10,151,895
Investments	1,209,189	-	1,209,189
Receivables, net of allowance for uncollectibles:			
Property taxes	234,662	-	234,662
Excises	78,794	-	78,794
Other assets	-	178	178
User fees	-	59,895	59,895
Departmental and other	216,860	-	216,860
Intergovernmental	141,814	-	141,814
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	465,216	-	465,216
Capital assets:			
Land and construction in progress	7,299,998	401,122	7,701,120
Other capital assets, net of accumulated depreciation	77,961,538	8,561,245	86,522,783
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	<u>2,203,232</u>	<u>44,964</u>	<u>2,248,196</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	98,342,032	10,688,570	109,030,602
LIABILITIES			
Current:			
Warrants payable	529,917	96,744	626,661
Accrued liabilities	892,160	20,319	912,479
Tax refunds payable	33,600	-	33,600
Other current liabilities	172,382	-	172,382
Current portion of long-term liabilities:			
Bonds payable	1,524,413	372,617	1,897,030
Other	18,378	153	18,531
Noncurrent:			
Bonds payable, net of current portion	20,871,159	2,945,349	23,816,508
Net OPEB obligation	8,522,390	196,643	8,719,033
Net pension liability	13,672,984	279,041	13,952,025
Other, net of current portion	153,972	2,904	156,876
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	<u>212,005</u>	<u>4,326</u>	<u>216,331</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
	46,603,360	3,918,096	50,521,456
NET POSITION			
Net investment in capital assets	64,103,149	5,644,401	69,747,550
Restricted for:			
Grants and other statutory restrictions	2,948,719	-	2,948,719
Permanent funds:			
Nonexpendable	37,502	-	37,502
Expendable	55,325	-	55,325
Unrestricted	<u>(15,406,023)</u>	<u>1,126,073</u>	<u>(14,279,950)</u>
TOTAL NET POSITION	\$ 51,738,672	\$ 6,770,474	\$ 58,509,146

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

TOWN OF DOUGLAS, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Expenses</u>	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 2,783,010	\$ 139,788	\$ 2,123,247	\$ -	\$ (519,975)	\$ -	\$ (519,975)
Public safety	4,822,004	569,164	59,156	-	(4,193,684)	-	(4,193,684)
Education	22,033,059	420,668	13,080,394	1,190,650	(7,341,347)	-	(7,341,347)
Public works	2,367,961	23,592	750	361,847	(1,981,772)	-	(1,981,772)
Health and human services	438,743	9,223	12,065	-	(417,455)	-	(417,455)
Culture and recreation	593,575	440	322,126	-	(271,009)	-	(271,009)
Interest	855,567	-	-	-	(855,567)	-	(855,567)
Intergovernmental	392,465	-	-	-	(392,465)	-	(392,465)
Total Governmental Activities	34,286,384	1,162,875	15,597,738	1,552,497	(15,973,274)	-	(15,973,274)
Business-Type Activities:							
Water/sewer services	1,421,780	1,165,652	-	-	-	(256,128)	(256,128)
Transfer station services	219,823	228,137	-	-	-	8,314	8,314
Total Business-Type Activities	1,641,603	1,393,789	-	-	-	(247,814)	(247,814)
Total	\$ 35,927,987	\$ 2,556,664	\$ 15,597,738	\$ 1,552,497	(15,973,274)	(247,814)	(16,221,088)
General Revenues and Transfers:							
Property taxes				15,270,867	-		15,270,867
Excises				1,296,506	-		1,296,506
Penalties, interest and other taxes				183,943	-		183,943
Grants and contributions not restricted to specific programs				992,385	-		992,385
Investment income				30,302	3,837		34,139
Miscellaneous				537,021	74,449		611,470
Transfers, net				(160,083)	160,083		-
Total general revenues and transfers				18,150,941	238,369		18,389,310
Change in Net Position				2,177,667	(9,445)		2,168,222
Net Position:							
Beginning of year				49,561,005	6,779,919		56,340,924
End of year				\$ 51,738,672	\$ 6,770,474		\$ 58,509,146

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

TOWN OF DOUGLAS, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	<u>General</u>	<u>Ambulance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 4,685,420	\$ 275,177	\$ 3,570,132	\$ 8,530,729
Investments	1,120,912	-	88,277	1,209,189
Receivables:				
Property taxes	820,466	-	-	820,466
Excises	145,697	-	-	145,697
Departmental and other	42,923	475,715	-	518,638
Intergovernmental	62,148	-	79,666	141,814
Other assets	-	-	10,836	10,836
TOTAL ASSETS	\$ 6,877,566	\$ 750,892	\$ 3,748,911	\$ 11,377,369
LIABILITIES				
Warrants payable	\$ 288,654	\$ -	\$ 241,263	\$ 529,917
Accrued liabilities	582,200	-	-	582,200
Tax refunds payable	33,600	-	-	33,600
Other liabilities	172,382	-	-	172,382
TOTAL LIABILITIES	1,076,836	-	241,263	1,318,099
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	938,174	475,715	79,666	1,493,555
FUND BALANCES				
Nonspendable	-	-	37,502	37,502
Restricted	-	275,177	2,798,264	3,073,441
Committed	212,201	-	658,339	870,540
Assigned	1,503,853	-	-	1,503,853
Unassigned	3,146,502	-	(66,123)	3,080,379
TOTAL FUND BALANCES	4,862,556	275,177	3,427,982	8,565,715
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,877,566	\$ 750,892	\$ 3,748,911	\$ 11,377,369

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

TOWN OF DOUGLAS, MASSACHUSETTS

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

JUNE 30, 2017

Total governmental fund balances	\$ 8,565,715
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	85,261,536
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	993,450
• Long-term liabilities, including bonds payable, net pension liability, net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(43,082,029)</u>
Net position of governmental activities	\$ <u>51,738,672</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Ambulance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 15,475,579	\$ -	\$ -	\$ 15,475,579
Excises	1,315,964	-	3,030	1,318,994
Penalties, interest and other taxes	183,943	-	-	183,943
Charges for services	130,262	237,267	483,070	850,599
Intergovernmental	12,712,909	72,737	4,553,004	17,338,650
Licenses and permits	224,161	-	-	224,161
Fines and forfeitures	47,900	-	1,584	49,484
Investment income	26,576	-	970	27,546
Miscellaneous	213,895	1,740	295,520	511,155
Total Revenues	30,331,189	311,744	5,337,178	35,980,111
Expenditures:				
Current:				
General government	1,776,350	-	-	1,776,350
Public safety	2,352,235	-	432,660	2,784,895
Education	17,875,742	-	607,094	18,482,836
Public works	987,601	-	2,989,308	3,976,909
Health and human services	214,244	-	594,990	809,234
Culture and recreation	328,297	-	13,797	342,094
Employee benefits	3,395,176	-	41,986	3,437,162
Debt service	2,346,161	-	-	2,346,161
Intergovernmental	392,465	-	-	392,465
Total Expenditures	29,668,271	-	4,679,835	34,348,106
Excess (deficiency) of revenues over expenditures	662,918	311,744	657,343	1,632,005
Other Financing Sources (Uses):				
Transfers in	458,722	-	1,362,157	1,820,879
Transfers out	(694,743)	(265,000)	(959,659)	(1,919,402)
Total Other Financing Sources (Uses)	(236,021)	(265,000)	402,498	(98,523)
Change in fund balance	426,897	46,744	1,059,841	1,533,482
Fund Balance, at Beginning of Year, as restated	4,435,659	228,433	2,368,141	7,032,233
Fund Balance, at End of Year	\$ 4,862,556	\$ 275,177	\$ 3,427,982	\$ 8,565,715

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

TOWN OF DOUGLAS, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2017

Net changes in fund balances - total governmental funds	\$ 1,533,482
<ul style="list-style-type: none">Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	3,104,332
Depreciation	(1,474,909)
<ul style="list-style-type: none">The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:	
Repayments of debt	1,431,988
Change in net pension liability	(2,033,133)
<ul style="list-style-type: none">Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle escise, etc.) differ between the two statements.	
	(384,012)
<ul style="list-style-type: none">Other differences	
	<u>(81)</u>
Change in net position of governmental activities	\$ <u>2,177,667</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues and Other Sources:				
Property taxes	\$ 15,172,121	\$ 15,172,121	\$ 15,172,121	\$ -
Excise	986,523	986,523	1,315,964	329,441
Penalties, interest and other taxes	110,000	110,000	183,943	73,943
Charges for services	117,210	117,210	130,262	13,052
Intergovernmental	9,626,922	9,626,922	9,621,634	(5,288)
Licenses and permits	103,000	103,000	224,161	121,161
Fines and forfeitures	20,000	20,000	47,900	27,900
Investment income	19,000	19,000	25,668	6,668
Miscellaneous	30,000	30,000	213,895	183,895
Transfers in	475,897	475,897	475,897	-
Use of free cash	749,986	949,986	949,986	-
Other sources	23,784	23,784	23,784	-
Total Revenues and Other Sources	27,434,443	27,634,443	28,385,215	750,772
Expenditures and Other Uses:				
General government	1,871,028	1,886,428	1,671,217	215,211
Public safety	2,386,298	2,413,298	2,341,865	71,433
Education	14,826,034	14,966,034	14,777,758	188,276
Public works	800,256	1,005,256	986,998	18,258
Health and human services	223,161	230,161	213,998	16,163
Culture and recreation	402,193	402,193	323,452	78,741
Employee benefits	3,726,054	3,527,554	3,203,049	324,505
Debt service	2,656,970	2,661,070	2,658,354	2,716
Intergovernmental	287,463	287,463	392,465	(105,002)
Transfers out	254,986	254,986	254,986	-
Total Expenditures and Other Uses	27,434,443	27,634,443	26,824,142	810,301
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,561,073	\$ 1,561,073

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

TOWN OF DOUGLAS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2017

	Business-Type Activities		
	Enterprise Funds		
	Water/Sewer Fund	Transfer Station Fund	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 1,263,675	\$ 357,491	\$ 1,621,166
Other assets	178	-	178
User fees, net of allowance for uncollectibles	<u>59,895</u>	<u>-</u>	<u>59,895</u>
Total current assets	1,323,748	357,491	1,681,239
Noncurrent:			
Capital assets:			
Land and construction in progress	389,384	11,738	401,122
Other capital assets, net of accumulated depreciation	<u>8,542,622</u>	<u>18,623</u>	<u>8,561,245</u>
Total noncurrent assets	8,932,006	30,361	8,962,367
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	<u>44,964</u>	<u>-</u>	<u>44,964</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	10,300,718	387,852	10,688,570
LIABILITIES			
Current:			
Warrants payable	81,645	15,099	96,744
Accrued liabilities	20,319	-	20,319
Current portion of long-term liabilities:			
Bonds payable	372,617	-	372,617
Other	<u>153</u>	<u>-</u>	<u>153</u>
Total current liabilities	474,734	15,099	489,833
Noncurrent:			
Bonds payable, net of current portion	2,945,349	-	2,945,349
Net OPEB obligation	196,643	-	196,643
Net pension liability	279,041	-	279,041
Other, net of current portion	<u>2,904</u>	<u>-</u>	<u>2,904</u>
Total noncurrent liabilities	3,423,937	-	3,423,937
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	<u>4,326</u>	<u>-</u>	<u>4,326</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
	3,902,997	15,099	3,918,096
NET POSITION			
Net investment in capital assets	5,614,040	30,361	5,644,401
Unrestricted	<u>783,681</u>	<u>342,392</u>	<u>1,126,073</u>
TOTAL NET POSITION	<u>\$ 6,397,721</u>	<u>\$ 372,753</u>	<u>\$ 6,770,474</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities Enterprise Funds		
	Water/Sewer Fund	Transfer Station Fund	Total
Operating Revenues:			
Charges for services	\$ 1,165,652	\$ 228,137	\$ 1,393,789
Other	<u>72,827</u>	<u>1,622</u>	<u>74,449</u>
Total Operating Revenues	1,238,479	229,759	1,468,238
Operating Expenses:			
Salaries and benefits	370,452	55,505	425,957
Other operating expenses	543,593	164,061	707,654
Depreciation	<u>356,928</u>	<u>257</u>	<u>357,185</u>
Total Operating Expenses	1,270,973	219,823	1,490,796
Operating Income (Loss)	(32,494)	9,936	(22,558)
Nonoperating Revenues (Expenses):			
Investment income	2,921	916	3,837
Interest expense	<u>(150,807)</u>	<u>-</u>	<u>(150,807)</u>
Total Nonoperating Revenues (Expenses), Net	(147,886)	916	(146,970)
Income (Loss) Before Transfers	(180,380)	10,852	(169,528)
Transfers:			
Transfers in	347,533	-	347,533
Transfers out	<u>(187,450)</u>	<u>-</u>	<u>(187,450)</u>
Change in Net Position	(20,297)	10,852	(9,445)
Net Position at Beginning of Year	6,418,018	361,901	6,779,919
Net Position at End of Year	\$ 6,397,721	\$ 372,753	\$ 6,770,474

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

TOWN OF DOUGLAS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities Enterprise Funds		
	Water/Sewer Fund	Transfer Station Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 1,290,804	\$ 229,759	\$ 1,520,563
Payments to vendors and employees	<u>(807,261)</u>	<u>(219,851)</u>	<u>(1,027,112)</u>
Net Cash Provided By (Used For) Operating Activities	483,543	9,908	493,451
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfers in	347,533	-	347,533
Transfers out	<u>(187,450)</u>	<u>-</u>	<u>(187,450)</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	160,083	-	160,083
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets	(244,879)	(15,447)	(260,326)
Principal payments on bonds	(394,427)	-	(394,427)
Interest expense	<u>(150,807)</u>	<u>-</u>	<u>(150,807)</u>
Net Cash (Used For) Capital and Related Financing Activities	(790,113)	(15,447)	(805,560)
<u>Cash Flows From Investing Activities:</u>			
Investment income	2,921	916	3,837
Net Cash Provided By (Used for) Investing Activities	2,921	916	3,837
Net Change in Cash and Short-Term Investments	<u>(143,566)</u>	<u>(4,623)</u>	<u>(148,189)</u>
Cash and Short-Term Investments, Beginning of Year	1,407,241	362,114	1,769,355
Cash and Short-Term Investments, End of Year	<u>\$ 1,263,675</u>	<u>\$ 357,491</u>	<u>\$ 1,621,166</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income	\$ (32,494)	\$ 9,936	\$ (22,558)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	356,928	257	357,185
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees	52,325	-	52,325
Other assets	8,820	-	8,820
Deferred outflows - related to pensions	<u>(24,451)</u>	<u>-</u>	<u>(24,451)</u>
Warrants and accounts payable	63,074	(285)	62,789
Accrued liabilities	<u>(8,264)</u>	<u>-</u>	<u>(8,264)</u>
Accrued other post employment benefits	26,181	-	26,181
Net pension liability	41,493	-	41,493
Deferred inflows - related to pensions	<u>(69)</u>	<u>-</u>	<u>(69)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 483,543</u>	<u>\$ 9,908</u>	<u>\$ 493,451</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Private Purpose Trust <u>Funds</u>	Other Post-Employment Benefits Trust <u>Fund</u>	Agency <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ -	\$ -	\$ 190,589
Investments	100,075	382,487	-
Accounts receivable	<u>-</u>	<u>-</u>	<u>23,709</u>
Total Assets	100,075	382,487	214,298
LIABILITIES AND NET POSITION			
Accounts payable	-	-	4,160
Other liabilities	<u>-</u>	<u>-</u>	<u>210,138</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>214,298</u>
NET POSITION			
Total net position restricted for pensions and other purposes	\$ <u>100,075</u>	\$ <u>382,487</u>	\$ <u>-</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	Private Purpose <u>Trust Funds</u>	Other Post-Employment Benefits Trust <u>Fund</u>
Additions:		
Employer contributions	\$ -	\$ 403,206
Interest income	<u>1,196</u>	<u>23,938</u>
Total additions	1,196	427,144
Deductions:		
Benefit payments to plan members, beneficiaries and other systems	-	269,884
Education	<u>800</u>	<u>-</u>
Total deductions	<u>800</u>	<u>269,884</u>
Net increase	396	157,260
Net position:		
Beginning of year	<u>99,679</u>	<u>225,227</u>
End of year	<u>\$ 100,075</u>	<u>\$ 382,487</u>

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

TOWN OF DOUGLAS, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2017, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

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

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

The government reports the following major proprietary funds:

- Water/sewer operations
- Transfer station operations

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

The Town reports the following fiduciary funds:

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

D. Cash and Short-Term Investments

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

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

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

E. Investments

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

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

F. Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2017 tax levy reflected an excess capacity of \$2,828.

G. Capital Assets

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

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

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

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

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

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Fund Equity

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

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

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

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

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

K. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 30,331,189	\$ 29,668,271
Other financing sources/uses (GAAP basis)	458,722	694,743
Subtotal (GAAP Basis)	30,789,911	30,363,014
Adjust tax revenue to accrual basis	(303,458)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(593,268)
To book current year appropriation carryforwards	-	349,851
To record use of free cash	949,986	-
Other sources	23,784	-
To remove unbudgeted stabilization fund	16,267	(250,886)
To reverse the effect of non-budgeted State contributions for teachers retirement	(3,091,275)	(3,091,275)
To record timing differences	-	46,706
Budgetary basis	<u>\$ 28,385,215</u>	<u>\$ 26,824,142</u>

D. Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2017.

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

3. Cash and Short-Term Investments

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

As of June 30, 2017, none of the Town's bank balances of \$9,740,141 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Credit Risk

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

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

<u>Investment Type</u>	<u>Amount</u>	<u>Legal Rating</u>	<u>Exempt From Disclosure</u>		<u>Rating as of Year End</u>		
			<u>Aaa</u>	<u>Aa+</u>	<u>A</u>	<u>BBB+</u>	
Certificates of deposits	\$ 334		\$ -	\$ 334	\$ -	\$ -	\$ -
Corporate bonds	235		-	-	35	130	70
Corporate equities	127	N/A	127	-	-	-	-
Mutual funds	555	N/A	555	-	-	-	-
Federal agency securities	441		-	441	-	-	-
Total investments	\$ <u>1,692</u>		\$ <u>682</u>	\$ <u>775</u>	\$ <u>35</u>	\$ <u>130</u>	\$ <u>70</u>

B. Custodial Credit Risk

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

C. Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>				
		<u>Less</u>	<u>Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>N/A</u>
Certificates of deposit	\$ 334	\$ 65	\$ 269	\$ -	\$ -	\$ -
Corporate bonds	235	155	80	-	-	-
Corporate equities	127	-	-	-	-	127
Mutual funds	555	-	-	-	-	555
Federal agency securities	<u>441</u>	<u>288</u>	<u>153</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,692</u>	<u>\$ 508</u>	<u>\$ 502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 682</u>

D. Foreign Currency Risk

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

E. Fair Value

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

5. Taxes and Excises Receivables

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

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

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

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

Taxes and excise receivables at June 30, 2017 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 276,490	\$ (48,433)	\$ 228,057
Personal property taxes	27,071	(20,466)	6,605
Tax liens	<u>516,906</u>	<u>(51,690)</u>	<u>465,216</u>
Total property taxes	820,467	(120,589)	699,878
Motor vehicle excise	142,027	(64,082)	77,945
Boat excise	<u>3,670</u>	<u>(2,821)</u>	<u>849</u>
Total excises	<u>145,697</u>	<u>(66,903)</u>	<u>78,794</u>
Grand total	<u>\$ 966,164</u>	<u>\$ (187,492)</u>	<u>\$ 778,672</u>

6. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2017.

7. Interfund Fund Transfers

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

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

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 458,722	\$ 694,743
Ambulance	-	265,000
Nonmajor Funds:		
Special Revenue Funds	-	193,722
Capital Project Funds	<u>1,280,000</u>	<u>745,340</u>
Subtotal Nonmajor Funds	1,280,000	939,062
<u>Business-Type Funds:</u>		
Water/Sewer Fund	<u>347,533</u>	<u>187,450</u>
Subtotal Business-Type Funds:	<u>347,533</u>	<u>187,450</u>
Grand Total	<u>\$ 2,086,255</u>	<u>\$ 2,086,255</u>

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

8. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 32,109	\$ 48,539	\$ -	\$ 80,648
Machinery, equipment, and furnishings	7,515	814	(5)	8,324
Infrastructure	<u>10,765</u>	<u>1,002</u>	<u>-</u>	<u>11,767</u>
Total capital assets, being depreciated	50,389	50,355	(5)	100,739
Less accumulated depreciation for:				
Buildings and improvements	(13,367)	(740)	-	(14,107)
Machinery, equipment, and furnishings	(6,138)	(337)	5	(8,470)
Infrastructure	<u>(1,803)</u>	<u>(398)</u>	<u>-</u>	<u>(2,201)</u>
Total accumulated depreciation	(21,308)	(1,475)	5	(22,778)
Total capital assets, being depreciated, net	29,081	48,880	-	77,961
Capital assets, not being depreciated:				
Land	6,193	550	-	6,743
Construction in progress	<u>48,358</u>	<u>-</u>	<u>(47,801)</u>	<u>557</u>
Total capital assets, not being depreciated	<u>54,551</u>	<u>550</u>	<u>(47,801)</u>	<u>7,300</u>
Governmental activities capital assets, net	<u>\$ 83,632</u>	<u>\$ 49,430</u>	<u>\$ (47,801)</u>	<u>\$ 85,261</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,057	\$ 6	\$ -	\$ 8,063
Machinery, equipment, and furnishings	227	245	-	472
Infrastructure	<u>5,559</u>	<u>10</u>	<u>-</u>	<u>5,569</u>
Total capital assets, being depreciated	13,843	261	-	14,104
Less accumulated depreciation for:				
Buildings and improvements	(2,077)	(191)	-	(2,268)
Machinery, equipment, and furnishings	(88)	(33)	-	(121)
Infrastructure	<u>(3,020)</u>	<u>(134)</u>	<u>-</u>	<u>(3,154)</u>
Total accumulated depreciation	<u>(5,185)</u>	<u>(358)</u>	<u>-</u>	<u>(5,543)</u>
Total capital assets, being depreciated, net	8,658	(97)	-	8,561
Capital assets, not being depreciated:				
Land	401	-	-	401
Total capital assets, not being depreciated	<u>401</u>	<u>-</u>	<u>-</u>	<u>401</u>
Business-type activities capital assets, net	<u>\$ 9,059</u>	<u>\$ (97)</u>	<u>\$ -</u>	<u>\$ 8,962</u>

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

Governmental Activities:				
General government			\$ 48	
Public safety			250	
Education			698	
Public works			471	
Culture and recreation			<u>8</u>	
Total depreciation expense - governmental activities			<u>\$ 1,475</u>	
Business-Type Activities:				
Water			\$ 357	
Transfer station			<u>1</u>	
Total depreciation expense - business-type activities			<u>\$ 358</u>	

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions, in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, are more fully discussed in Note 17.

10. Warrants Payable

Warrants payable represent 2017 expenditures paid by July 15, 2017.

11. Tax Refunds Payable

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

12. Long-Term Debt

A. General Obligation Bonds

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

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/17
<u>Governmental Activities:</u>			
Land	07/15/18	4.10%	\$ 30,000
Land	12/15/21	4.36%	250,000
Elementary and middle school	01/15/32	3.93%	15,790,000
Refunding	06/01/22	1.59%	1,980,000
School building and equipment	06/30/31	3.00%	<u>3,770,000</u>
Total Governmental Activities:			\$ <u>21,820,000</u>

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/17
<u>Business-Type Activities:</u>			
Water refunding	01/15/21	2.13%	\$ 35,000
Water refunding	01/15/20	2.41%	15,000
Manchaug sewer improvement	01/15/19	2.13%	20,000
Sewer plant	02/01/25	2.00%	2,981,645
Sewer plant	07/15/24	2.00%	146,321
Water	06/30/31	3.00%	<u>120,000</u>
Total Business-Type Activities:			\$ <u>3,317,966</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2017 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,485,000	\$ 849,654	\$ 2,334,654
2019	1,540,000	799,773	2,339,773
2020	1,580,000	736,400	2,316,400
2021	1,645,000	668,500	2,313,500
2022	1,710,000	606,750	2,316,750
2023 - 2027	6,600,000	2,265,450	8,865,450
2028 - 2032	<u>7,260,000</u>	<u>940,675</u>	<u>8,200,675</u>
Total	<u>\$ 21,820,000</u>	<u>\$ 6,867,202</u>	<u>\$ 28,687,202</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 372,617	\$ 69,117	\$ 441,734
2019	385,814	55,133	440,947
2020	389,016	40,869	429,885
2021	392,227	26,730	418,957
2022	409,729	16,630	426,359
2023 - 2027	1,328,563	17,241	1,345,804
2028 - 2031	<u>40,000</u>	<u>2,850</u>	<u>42,850</u>
Total	<u>\$ 3,317,966</u>	<u>\$ 228,570</u>	<u>\$ 3,546,536</u>

C. Changes in General Long-Term Liabilities

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

	Total Balance 7/1/16	Additions	Reductions	Total Balance 6/30/17	Less Current Portion	Equals Long-Term Portion 6/30/17
Governmental Activities						
Bonds payable	\$ 23,252	\$ -	\$ (1,432)	\$ 21,820	\$ (1,485)	\$ 20,335
Unamortized premium	615	-	(40)	575	(39)	536
Subtotal	23,867	-	(1,472)	22,395	(1,524)	20,871
Net OPEB obligation	7,240	1,282	-	8,522	-	8,522
Net pension liability	11,640	2,033	-	13,673	-	13,673
Other:						
Landfill liability	61	-	(12)	49	(12)	37
Compensated absences	134	-	(11)	123	(6)	117
Subtotal - other	195	-	(23)	172	(18)	154
Totals	\$ 42,942	\$ 3,315	\$ (1,495)	\$ 44,762	\$ (1,542)	\$ 43,220

<u>Business-Type Activities</u>							
Bonds payable	\$ 3,712	\$ -	\$ (394)	\$ 3,318	\$ (373)	\$ 2,945	
Subtotal	3,712	-	(394)	3,318	(373)	2,945	
Net OPEB obligation	170	27	-	197	-	197	
Net pension liability	238	41	-	279	-	279	
Other:							
Compensated absences	4	-	(1)	3	-	3	
Subtotal - other	4	-	(1)	3	-	3	
Totals	\$ 4,124	\$ 68	\$ (395)	\$ 3,797	\$ (373)	\$ 3,424	

13. Landfill Closure and Postclosure Care Costs

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

The \$48,800 reported as landfill postclosure care liability at June 30, 2017 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2017. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Town reports two items as deferred inflows of resources: one which is attributable to changes in the net pension liability, and the other which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 17. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

15. Governmental Funds - Balances

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

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

The following types of fund balances are reported at June 30, 2017:

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

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

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

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

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

Following is a breakdown of the Town's fund balances at June 30, 2017:

	General Fund	Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 37,502	\$ 37,502
Total Nonspendable	-	-	37,502	37,502
Restricted				
Bonded projects	-	-	3,274	3,274
Special revenue funds	-	275,177	2,739,665	3,014,842
Expendable permanent funds	-	-	55,325	55,325
Total Restricted	-	275,177	2,798,264	3,073,441
Committed				
Reserve for continuing appropriations				
General government	144,799	-	-	144,799
Public safety	9,873	-	-	9,873
Public works	399	-	-	399
Employee benefits	57,130	-	-	57,130
Capital project funds	-	-	658,339	658,339
Total Committed	212,201	-	658,339	870,540

(continued)

(continued)

	General Fund	Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
Assigned				
Encumbrances				
General government	44,345	-	-	44,345
Education	11,026	-	-	11,026
Culture and recreation	55	-	-	55
Employee benefits	1,238	-	-	1,238
Reserve for debt exclusion	551,788	-	-	551,788
Reserved for expenditures	895,301	-	-	895,301
Other - petty cash	100	-	-	100
Total Assigned	1,503,853	-	-	1,503,853
Unassigned				
General operating stabilization	1,120,912	-	-	1,120,912
General fund	2,025,590	-	(66,123)	1,959,467
Total Unassigned	3,146,502	-	(66,123)	3,080,379
Total Fund Balance	\$ 4,862,556	\$ 275,177	\$ 3,427,982	\$ 8,565,715

16. General Fund Unassigned Fund Balance

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

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

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

GAAP basis balance	\$ 3,146,502
Stabilization fund	(1,120,912)
Tax refund estimate	<u>33,600</u>
Statutory (UMAS) Balance	<u>\$ 2,059,190</u>

17. Worcester Contributory Retirement System

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

A. Plan Description

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

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 10 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

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

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60

or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

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

Participants Refunds

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

Participants Contributions

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

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

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

Employer Contributions

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

The Town's contribution to the System for the year ended June 30, 2017 was \$809,124, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

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

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

At June 30, 2017, the Town reported a liability of \$13,952,025 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 December 31, 2015. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, the Town's proportion was 1.665727 percent.

At June 30, 2017, the Town's proportion was 1.665727 percent, which was a decrease of (.0076) percent from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$1,710,500. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 113,767	\$ -
Changes of assumptions	1,650,287	-
Net difference between projected and actual earnings on pension plan investments	484,142	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	216,331
Total	<u>\$ 2,248,196</u>	<u>\$ 216,331</u>

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

Year ended June 30:

2017	\$ 484,569
2018	484,570
2019	483,079
2020	336,483
2021	<u>243,164</u>
Total	\$ <u>2,031,865</u>

D. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding an expected inflation rate. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	40.00%	4.97%
Fixed income	22.00%	2.29%
Private equity	11.00%	6.50%
Real estate	10.00%	3.50%
Timber/natural resources	4.00%	3.00%
Hedge funds	<u>13.00%</u>	3.48%
Total	<u>100.00%</u>	

E. Discount Rate

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

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

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

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$ 16,805,379	\$ 13,952,025	\$ 11,543,322

G. Pension Plan Fiduciary Net Position

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

18. Massachusetts Teachers' Retirement System (MTRS)

A. Plan Description

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

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

B. Benefits Provided

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

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

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

C. Contributions

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

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

D. Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. This valuation used the following assumptions:

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

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	40.0%	6.9%
Core fixed income	13.0%	1.6%
Private equity	10.0%	8.7%
Real estate	10.0%	4.6%
Value added fixed income	10.0%	4.8%
Hedge funds	9.0%	4.0%
Portfolio completion strategies	4.0%	3.6%
Timber/natural resources	4.0%	5.4%
Total	<u>100.0%</u>	

E. Discount Rate

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

F. Sensitivity Analysis

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

1% Decrease to 6.50%	Current Discount Rate 7.50%	1% Increase to 8.50%
\$ 27,464,000	\$ 22,357,928	\$ 18,022,000

G. Special Funding Situation

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

H. Town Proportions

In fiscal year 2017 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the Town was \$30,304,669 and \$3,091,275 respectively, based on a proportionate share of 0.135543%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expenditure in the general fund.

19. Other Post-Employment Benefits (GASB 45)

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides the option to receive post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2016, the actuarial valuation date, approximately 106 retirees and 301 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria have the option to receive these benefits.

C. Funding Policy

Retirees contribute 50% of the cost of the health plan and life insurance, as determined by the Town. The Town contributes the remainder of the health plan and life insurance costs toward \$1,000 coverage on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2017 annual OPEB 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2017, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2016.

Annual Required Contribution (ARC)	\$ 1,908,911
Interest on net OPEB obligation	296,399
Adjustment to ARC	<u>(493,038)</u>
Annual OPEB cost	1,712,272
Contributions made	<u>(403,206)</u>
Increase in net OPEB obligation	1,309,066
Net OPEB obligation - beginning of year	<u>7,409,967</u>
Net OPEB obligation - end of year	\$ <u>8,719,033</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 1,712,272	24%	\$ 8,719,033
2016	\$ 1,204,168	18%	\$ 7,409,967
2015	\$ 1,181,011	18%	\$ 6,430,799

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2016, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 13,959,098
Actuarial value of plan assets	<u>(225,227)</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>13,733,871</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>1.6%</u>
Covered payroll (active plan members)	\$ <u>15,440,632</u>
UAAL as a percentage of covered payroll	<u>89%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included 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 OPEB Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value

of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town 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 Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 6%, which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 2.5%.

20. Other Post-Employment Benefits – OPEB (GASB 74)

In fiscal year 2014 the Town established an OPEB Trust fund to provide funding for future employee health care costs.

Investments

The OPEB Trust fund does not have a formal investment policy. At June 30, 2017, investments consisted of Bartholomew investments. Concentration and rate of return information was not available.

Net OPEB Liability

The components of the net OPEB liability were as follows:

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

Plan fiduciary net position as a percentage of the total OPEB liability 1.92%

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

Inflation	3 percent
Salary increases	3 percent, average, including inflation
Investment rate of return	8.5 percent, net of OPEB plan investment expense, including inflation

Mortality rates were based on RP 2014 with MP 2014 projected.

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

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

Discount rate. The discount rate used to measure the total OPEB liability was 3.13%. The projection of cash flows used to determine the discount rate assumed that contributions from plan member will be made at the current contribution rate. Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current discount rate:

		Discount	
	1% Decrease	Rate	1% Increase
	(2.13%)	(3.13%)	(4.13%)
\$	23,216,488	\$ 19,587,699	\$ 15,958,909

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7 percent decreasing to 4 percent) or 1-percentage-point higher (9 percent increasing to 6 percent) than the current healthcare cost trend rates:

Healthcare Cost		
1% Decrease (4%)	Trend Rates (5%)	1% Increase (6%)
\$ 15,571,400	\$ 19,587,699	\$ 24,533,735

21. Commitments and Contingencies

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

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

22. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, replacing requirements of Statements No. 45 and 57, effective for the Town beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB.

23. Beginning Fund Balance Restatement

The beginning (July 1, 2016) fund balance of the Town has been restated as follows:

Fund Basis Financial Statements:

	Fund Equity		Fund Equity
	<u>6/30/16 (as previously reported)</u>	<u>Reclassification</u>	<u>6/30/16 (as restated)</u>
Nonmajor funds	\$ 2,759,040	\$ (390,899)	\$ 2,368,141
Capital projects elementary school construction	(162,466)	162,466	-
Ambulance fund	<u>-</u>	<u>228,433</u>	<u>228,433</u>
	\$ 2,596,574	\$ -	\$ 2,596,574

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

JUNE 30, 2017
(Unaudited)

Worcester County Retirement System

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

Massachusetts Teachers' Retirement System

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

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

See Independent Auditors' Report.

TOWN OF DOUGLAS, MASSACHUSETTS

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2017
(Unaudited)

Worcester Contributory Retirement System

Fiscal Year	Contributions in Relation to the			Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)			
June 30, 2017	\$ 809,124	\$ 809,124	\$ -	\$ 6,111,451		13.24%
June 30, 2016	\$ 752,764	\$ 752,764	\$ -	\$ 5,729,138		13.14%
June 30, 2015	\$ 678,830	\$ 678,830	\$ -	\$ 5,508,787		12.32%

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

See Independent Auditors' Report.

TOWN OF DOUGLAS, MASSACHUSETTS
SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)

June 30, 2017

(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percent-age of Covered Payroll [(b-a)/c]
7/1/2016	\$ 225,227	\$ 13,959,098	\$ 13,733,871	1.6%	\$ 15,440,632	89%
7/1/2014	\$ -	\$ 10,890,813	\$ 10,890,813	0%	\$ 15,205,579	72%
7/1/2012	\$ -	\$ 11,261,317	\$ 11,261,317	0%	\$ 13,503,832	83%
7/1/2010	\$ -	\$ 10,786,564	\$ 10,786,564	0%	\$ 13,965,267	77%
7/1/2008	\$ -	\$ 11,385,000	\$ 11,385,000	0%	\$ 17,172,000	66%

See Independent Auditors' Report.

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

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

(Unaudited)

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 1,160,278
Interest on unfunded liability - time value of \$	778,464
Benefit payments, including refunds of member contributions	<u>(269,884)</u>
Net change in total OPEB liability	1,668,858
Total OPEB liability - beginning	<u>18,301,328</u>
Total OPEB liability - ending (a)	<u>\$ 19,970,186</u>
Plan fiduciary net position	
Contributions - employer	\$ 403,206
Net investment income	23,938
Benefit payments, including refunds of member contributions	<u>(269,884)</u>
Net change in plan fiduciary net position	157,260
Plan fiduciary net position - beginning	<u>225,227</u>
Plan fiduciary net position - ending (b)	<u>\$ 382,487</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 19,587,699</u>

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

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

See Independent Auditors' Report.

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

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

Schedule of Net OPEB Liability

	<u>2017</u>
Total OPEB liability	\$ 19,970,186
Plan fiduciary net position	<u>382,487</u>
Net OPEB liability	<u>\$ 19,587,699</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.92%
Covered payroll	\$ 15,440,632
Participating employer net OPEB liability as a percentage of covered payroll	126.86%

Schedule of Contributions

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

Schedule of Investment Returns

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

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

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

See Independent Auditors' Report.