

TOWN OF EASTON, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2017

TOWN OF EASTON, MASSACHUSETTS
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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Easton, 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 Easton, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Easton, 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 58 to 62 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting

and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Melanson Heath

June 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town, we offer readers this narrative overview and analysis of the financial activities of the Town of Easton for the fiscal year ended June 30, 2017. Unless otherwise noted, the amounts reported this analysis are expressed in whole numbers.

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 are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements.

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 provision changed during the most recent fiscal year. All changes in net provision is 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, public works, education, health and human services, culture and recreation, interest on debt, and intergovernmental assessments. The business-type activities include water, sewer, trash, and cable access enterprise fund 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 Town'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 and internal service 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, trash, and cable access operations; of which water and sewer operations 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 assets and deferred outflows of resources for governmental activities exceeded liabilities and deferred inflows of resources by \$24,275,067 (i.e., net position), a change of \$(4,480,166) in comparison to the prior year.
- As of the close of the current fiscal year, total assets and deferred outflows of resources for business-type activities exceeded liabilities and deferred inflows of resources by \$39,903,037 (i.e., net position), a change of \$(442,576) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$15,278,020, a change of \$1,556,912 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,904,847, a change of \$324,322 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):

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 34,496	\$ 33,970	\$ 8,983	\$ 9,822	\$ 43,479	\$ 43,792
Capital assets	<u>112,372</u>	<u>114,882</u>	<u>44,147</u>	<u>42,681</u>	<u>156,519</u>	<u>157,563</u>
Total assets	146,868	148,852	53,130	52,503	199,998	201,355
Deferred outflows of resources	6,264	7,412	109	129	6,373	7,541
Long-term liabilities	118,541	116,911	7,115	7,071	125,656	123,982
Notes payable	4,831	5,515	6,070	5,105	10,901	10,620
Other liabilities	<u>4,178</u>	<u>3,554</u>	<u>134</u>	<u>90</u>	<u>4,312</u>	<u>3,644</u>
Total liabilities	127,550	125,980	13,319	12,266	140,869	138,246
Deferred inflows of resources	1,307	1,529	17	20	1,324	1,549
Net position:						
Net investment in capital assets	76,809	77,451	34,307	33,392	111,116	110,843
Restricted	9,790	10,496	-	-	9,790	10,496
Unrestricted	<u>(62,324)</u>	<u>(59,192)</u>	<u>5,596</u>	<u>6,954</u>	<u>(56,728)</u>	<u>(52,238)</u>
Total net position	\$ <u>24,275</u>	\$ <u>28,755</u>	\$ <u>39,903</u>	\$ <u>40,346</u>	\$ <u>64,178</u>	\$ <u>69,101</u>

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 \$64,178,104, a change of \$(4,922,742) from the prior year.

The largest portion of net position \$111,115,939 reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment); 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, \$9,789,566, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(56,727,401) primarily resulting from the Town's unfunded net pension liability and net OPEB obligation.

	<u>CHANGES IN NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,334	\$ 4,525	\$ 4,821	\$ 4,668	\$ 9,155	\$ 9,193
Operating grants and contributions	22,253	19,745	-	-	22,253	19,745
Capital grants and contributions	1,078	77	-	2,214	1,078	2,291
General revenues:						
Property taxes	53,704	52,441	-	-	53,704	52,441
Excises	4,297	3,407	-	-	4,297	3,407
Penalties and interest and other taxes	517	530	-	-	517	530
Grants and contributions not restricted to specific programs	2,480	2,469	-	-	2,480	2,469
Investment income	263	250	-	30	263	280
Other	2,826	4,206	-	-	2,826	4,206
Total revenues	<u>91,752</u>	<u>87,650</u>	<u>4,821</u>	<u>6,912</u>	<u>96,573</u>	<u>94,562</u>
Expenses:						
General government	16,686	15,023	-	-	16,686	15,023
Public safety	10,819	10,729	-	-	10,819	10,729
Education	58,880	55,623	-	-	58,880	55,623
Public works	6,044	5,842	-	-	6,044	5,842
Health and human services	1,074	1,114	-	-	1,074	1,114
Culture and recreation	740	851	-	-	740	851
Interest and costs	1,099	1,120	-	-	1,099	1,120
Intergovernmental	836	807	-	-	836	807
Water services	-	-	3,046	3,096	3,046	3,096
Sewer services	-	-	627	566	627	566
Nonmajor services	-	-	1,645	1,109	1,645	1,109
Total expenses	<u>96,178</u>	<u>91,109</u>	<u>5,318</u>	<u>4,771</u>	<u>101,496</u>	<u>95,880</u>
Change in net position before transfers	(4,426)	(3,459)	(497)	2,141	(4,923)	(1,318)
Transfers in (out)	(54)	(18)	54	18	-	-
Change in net position	(4,480)	(3,477)	(443)	2,159	(4,923)	(1,318)
Net position - beginning of year	<u>28,755</u>	<u>32,232</u>	<u>40,346</u>	<u>38,187</u>	<u>69,101</u>	<u>70,419</u>
Net position - end of year	<u>\$ 24,275</u>	<u>\$ 28,755</u>	<u>\$ 39,903</u>	<u>\$ 40,346</u>	<u>\$ 64,178</u>	<u>\$ 69,101</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(4,480,166). Key elements of this change are as follows:

General fund operations	\$ 165,734
Community preservation operations	375,473
Avalon Bay mitigation contributions	1,000,000
Chapter 90 state grant proceeds for road improvements	500,000
Depreciation in excess of debt service principal paydown	(1,967,417)
Capital asset additions from current year revenues	693,492
Change in net OPEB obligation	(4,572,644)
Change in net pension liability	273,342
Change in pension related deferred outflows/(inflows)	(963,768)
Other	<u>15,622</u>
Total	<u>\$ (4,480,166)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(442,576). This decrease is primarily driven by the capital costs and related depreciation being incurred as the Town creates a municipal sewer system.

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 \$15,278,020, a change of \$1,556,912 in comparison to the prior year. Key elements of this change are as follows:

General fund operations	\$ 165,734
Sewer fund debt service subsidy	(54,392)
Community preservation operations	375,473
ESCO capital project fund expenditures exceeding revenues	(486,711)
Bond proceeds for various capital projects	1,620,000
Nonmajor governmental fund operations	<u>(63,192)</u>
Total	<u>\$ 1,556,912</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 \$4,904,847, while total fund balance was \$9,412,949. 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>	% of <u>Total General Fund Expenditures</u>
Unassigned fund balance	\$ 4,904,847	\$ 4,580,525	\$ 324,322	6.0%
Total fund balance	\$ 9,412,949	\$ 7,049,779	\$ 2,363,170	11.5%

The total fund balance of the general fund changed by \$2,363,170 during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (2,104,452)
Change in stabilization accounts	1,854,623
Revenues in excess of budget	1,287,132
Expenditures less than budget	903,663
Prior year deficits raised (snow and ice)	298,034
Change in encumbrances	(171,049)
Other	<u>295,219</u>
Total	<u>\$ 2,363,170</u>

Included in the total general fund balance are the Town's stabilization accounts with the following balances:

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
General stabilization	\$ 1,812,534	\$ 1,616,073	\$ 196,461
Capital stabilization	<u>2,098,143</u>	<u>439,981</u>	<u>1,658,162</u>
Total	<u>\$ 3,910,677</u>	<u>\$ 2,056,054</u>	<u>\$ 1,854,623</u>

The change in the stabilization accounts is primarily driven by utilizing \$1,650,000 in mitigation contributions received in fiscal year 2017 and prior years for the Avalon Bay development to fund the capital stabilization account. Other activity includes investment earnings and continued funding of the general stabilization account from free cash.

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 \$5,596,219, a change of \$(1,357,682) over 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 appropriations of \$1,274,411. Major reasons for these amendments include:

- \$669,875 transfer to general stabilization funded by free cash
- \$424,120 increase to capital budget funded by free cash
- \$101,181 increase to capital budget funded by transfers in (FEMA grant)
- \$ 79,235 increase to departmental budgets funded by property taxes and transfers in

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$156,518,147 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- ESCO capital project (energy efficiency improvements)
- Various roadway paving projects
- School security updates
- Town office masonry repairs
- Purchase of various department vehicles and police cruisers
- Ali's Park improvements
- Various expansions of water and sewer infrastructure

Credit rating. During the fiscal year, the Town maintained a Moody's credit rating of "Aa3".

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$36,921,957, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and 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 Easton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Town Accountant
Town of Easton, Massachusetts
136 Elm Street
North Easton, Massachusetts 02356

TOWN OF EASTON, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 15,982,060	\$ 4,850,379	\$ 20,832,439
Investments	7,616,049	-	7,616,049
Receivables, net of allowance for uncollectibles:			
Property taxes	621,960	-	621,960
Excises	313,907	-	313,907
User fees	-	966,147	966,147
Betterments	1,243,845	3,073,780	4,317,625
Departmental and other	1,560,090	-	1,560,090
Intergovernmental	1,541,240	-	1,541,240
Inventories	-	92,797	92,797
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	731,930	-	731,930
Loan receivable	4,885,605	-	4,885,605
Capital assets, not being depreciated	23,227,043	9,910,421	33,137,464
Capital assets, being depreciated net of accumulated depreciation	89,144,458	34,236,225	123,380,683
Deferred Outflows of Resources			
Related to pensions	<u>6,263,825</u>	<u>108,975</u>	<u>6,372,800</u>
Total Assets and Deferred Outflows of Resources	153,132,012	53,238,724	206,370,736
Liabilities			
Current:			
Warrants payable	2,608,214	-	2,608,214
Accrued liabilities	1,064,388	133,633	1,198,021
Deposits held in custody	73,689	-	73,689
Notes payable	4,830,879	6,070,000	10,900,879
Other current liabilities	431,374	-	431,374
Current portion of long-term liabilities:			
Bonds payable	4,373,971	314,066	4,688,037
Accrued employee benefits	35,361	6,496	41,857
Estimated landfill closure and postclosure liability	50,000	-	50,000
Noncurrent:			
Bonds payable	26,943,035	5,290,885	32,233,920
Net pension liability	35,332,356	614,695	35,947,051
Net OPEB obligation	50,434,649	765,606	51,200,255
Accrued employee benefits	671,864	123,429	795,293
Estimated landfill closure and postclosure liability	700,000	-	700,000
Deferred Inflows of Resources			
Related to pensions	970,075	16,877	986,952
Other	<u>337,090</u>	<u>-</u>	<u>337,090</u>
Total Liabilities and Deferred Inflows of Resources	128,856,945	13,335,687	142,192,632
Net Position			
Net investment in capital assets	76,809,121	34,306,818	111,115,939
Restricted for:			
Grants and other statutory restrictions	8,293,372	-	8,293,372
Permanent funds:			
Nonexpendable	33,152	-	33,152
Expendable	1,463,042	-	1,463,042
Unrestricted	<u>(62,323,620)</u>	<u>5,596,219</u>	<u>(56,727,401)</u>
Total Net Position	\$ 24,275,067	\$ 39,903,037	\$ 64,178,104

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

TOWN OF EASTON, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<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	\$ 16,685,548	\$ 220,650	\$ 91,229	\$ -	\$ (16,373,669)	\$ -	\$ (16,373,669)
Public safety	10,819,431	3,081,376	159,480	-	(7,578,575)	-	(7,578,575)
Education	58,879,986	736,130	21,611,684	112,135	(36,420,037)	-	(36,420,037)
Public works	6,043,504	-	53,607	965,418	(5,024,479)	-	(5,024,479)
Health and human services	1,073,745	139,670	299,591	-	(634,484)	-	(634,484)
Culture and recreation	740,110	155,372	37,155	-	(547,583)	-	(547,583)
Interest	1,098,679	-	-	-	(1,098,679)	-	(1,098,679)
Intergovernmental	836,127	-	-	-	(836,127)	-	(836,127)
Total Governmental Activities	96,177,130	4,333,198	22,252,746	1,077,553	(68,513,633)	-	(68,513,633)
Business-Type Activities							
Water services	3,046,055	3,152,919	-	-	-	106,864	106,864
Sewer services	627,261	7,040	-	-	-	(620,221)	(620,221)
Nonmajor services	1,645,168	1,661,498	-	-	-	16,330	16,330
Total Business-Type Activities	5,318,484	4,821,457	-	-	-	(497,027)	(497,027)
Total Primary Government	\$ <u>101,495,614</u>	\$ <u>9,154,655</u>	\$ <u>22,252,746</u>	\$ <u>1,077,553</u>	(68,513,633)	(497,027)	(69,010,660)
General Revenues and Transfers							
					53,704,200	-	53,704,200
Property taxes					4,296,766	-	4,296,766
Excises					517,028	-	517,028
Penalties, interest and other taxes							
Grants and contributions not restricted to specific programs					2,480,384	-	2,480,384
Investment income					263,188	59	263,247
Miscellaneous					2,826,293	-	2,826,293
Transfers, net					(54,392)	54,392	-
Total general revenues and transfers					64,033,467	54,451	64,087,918
Change in Net Position					(4,480,166)	(442,576)	(4,922,742)
Net Position							
Beginning of year					28,755,233	40,345,613	69,100,846
End of year					\$ <u>24,275,067</u>	\$ <u>39,903,037</u>	\$ <u>64,178,104</u>

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

TOWN OF EASTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	<u>General</u>	<u>Community Preservation Fund</u>	<u>ESCO Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and short-term investments	\$ 9,356,030	\$ 389,667	\$ 415,067	\$ 5,821,296	\$ 15,982,060
Investments	3,539,391	4,076,658	-	-	7,616,049
Receivables:					
Property taxes	1,493,867	-	-	-	1,493,867
Excises	563,131	-	-	-	563,131
Betterments	-	-	-	1,243,845	1,243,845
Departmental	2,120,517	6,385	-	69,427	2,196,329
Intergovernmental	68,660	-	-	488,604	557,264
Loans	-	4,885,605	-	-	4,885,605
Total Assets	<u>\$ 17,141,596</u>	<u>\$ 9,358,315</u>	<u>\$ 415,067</u>	<u>\$ 7,623,172</u>	<u>\$ 34,538,150</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Warrants payable	\$ 2,608,214	\$ -	\$ -	\$ -	\$ 2,608,214
Accrued liabilities	812,593	-	-	-	812,593
Deposits held in custody	-	-	-	73,689	73,689
Notes payable	-	-	3,180,000	1,650,879	4,830,879
Other liabilities	431,374	-	-	-	431,374
Total Liabilities	3,852,181	-	3,180,000	1,724,568	8,756,749
Deferred Inflows of Resources					
Unavailable revenues	3,876,466	4,891,990	-	1,734,925	10,503,381
Fund Balances					
Nonspendable	-	-	-	33,152	33,152
Restricted	-	4,466,325	-	5,967,822	10,434,147
Committed	2,683,986	-	-	-	2,683,986
Assigned	1,824,116	-	-	-	1,824,116
Unassigned	4,904,847	-	(2,764,933)	(1,837,295)	302,619
Total Fund Balance	<u>9,412,949</u>	<u>4,466,325</u>	<u>(2,764,933)</u>	<u>4,163,679</u>	<u>15,278,020</u>
Total Liabilities, Deferred Inflows Of Resources, and Fund Balances	<u>\$ 17,141,596</u>	<u>\$ 9,358,315</u>	<u>\$ 415,067</u>	<u>\$ 7,623,172</u>	<u>\$ 34,538,150</u>

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

TOWN OF EASTON, 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	\$ 15,278,020
<ul style="list-style-type: none"> • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 	112,371,501
<ul style="list-style-type: none"> • Revenues are reported on the accrual basis of accounting and are not deferred until collection. 	9,477,941
<ul style="list-style-type: none"> • MSBA reimbursements for contracted assistance and progress payment projects, are not receivable in the current period and, therefore, are not reported in the governmental funds. 	983,976
<ul style="list-style-type: none"> • Deferred outflows of resources related to pensions to be recognized in pension expense in future periods. 	6,263,825
<ul style="list-style-type: none"> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	(251,795)
<ul style="list-style-type: none"> • Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: <ul style="list-style-type: none"> Bonds payable Accrued employee benefits Landfill liability Net OPEB obligation Net pension liability 	(31,317,006) (707,225) (750,000) (50,434,649) (35,332,356)
<ul style="list-style-type: none"> • Deferred inflows of resources related to pensions to be recognized in pension expense in future periods. 	(970,075)
<ul style="list-style-type: none"> • Deferred inflows of resources related to gains on refunding bonds are not financial resources, and therefore, are not reported in governmental funds. 	(337,090)
Net position of governmental activities	\$ <u>24,275,067</u>

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

TOWN OF EASTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General</u>	Community Preservation <u>Fund</u>	ESCO Capital Project <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues					
Property taxes	\$ 52,483,271	\$ 1,162,316	\$ -	\$ 76,179	\$ 53,721,766
Excises	4,293,501	-	-	-	4,293,501
Departmental	1,534,383	-	-	1,608,966	3,143,349
Licenses and permits	1,222,676	-	-	-	1,222,676
Fines and forfeitures	374,842	2,453	-	-	377,295
Intergovernmental	21,743,354	269,167	-	4,782,142	26,794,663
Investment income	39,371	217,973	-	145,577	402,921
Other	<u>465,692</u>	<u>-</u>	<u>328,013</u>	<u>2,032,588</u>	<u>2,826,293</u>
Total Revenues	82,157,090	1,651,909	328,013	8,645,452	92,782,464
Expenditures					
Current:					
General government	14,436,939	119,415	-	394,740	14,951,094
Public safety	8,946,161	-	-	766,038	9,712,199
Education	47,771,666	-	-	4,639,345	52,411,011
Public works	3,089,234	-	-	676,720	3,765,954
Human services	965,566	-	-	14,343	979,909
Culture and recreation	500,649	-	-	183,099	683,748
Debt service	4,935,202	535,218	-	-	5,470,420
Intergovernmental	836,127	-	-	-	836,127
Capital outlay	<u>509,812</u>	<u>621,803</u>	<u>814,724</u>	<u>2,034,359</u>	<u>3,980,698</u>
Total Expenditures	<u>81,991,356</u>	<u>1,276,436</u>	<u>814,724</u>	<u>8,708,644</u>	<u>92,791,160</u>
Excess (Deficiency) of Revenues Over Expenditures	165,734	375,473	(486,711)	(63,192)	(8,696)
Other Financing Sources (Uses)					
Issuance of debt	-	-	-	1,620,000	1,620,000
Transfers in	2,455,671	-	-	434,950	2,890,621
Transfers out	<u>(258,235)</u>	<u>(200,000)</u>	<u>-</u>	<u>(2,486,778)</u>	<u>(2,945,013)</u>
Total Other Financing Sources (Uses)	<u>2,197,436</u>	<u>(200,000)</u>	<u>-</u>	<u>(431,828)</u>	<u>1,565,608</u>
Change in Fund Balance	2,363,170	175,473	(486,711)	(495,020)	1,556,912
Fund Balance at Beginning of Year	<u>7,049,779</u>	<u>4,290,852</u>	<u>(2,278,222)</u>	<u>4,658,699</u>	<u>13,721,108</u>
Fund Balance at End of Year	<u>\$ 9,412,949</u>	<u>\$ 4,466,325</u>	<u>\$ (2,764,933)</u>	<u>\$ 4,163,679</u>	<u>\$ 15,278,020</u>

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

TOWN OF EASTON, 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	\$ 1,556,912																										
<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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Capital outlay</td> <td style="width: 30%; text-align: right;">3,729,516</td> </tr> <tr> <td>Depreciation expense</td> <td style="text-align: right;">(6,240,480)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Issuance of debt</td> <td style="width: 30%; text-align: right;">(1,620,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">4,273,063</td> </tr> </table> • 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 excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;"></td> <td style="width: 30%; text-align: right;">(47,128)</td> </tr> </table> • Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance, do not provide current financial resources and therefore, are not reported as revenues in the governmental funds. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;"></td> <td style="width: 30%; text-align: right;">(983,980)</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;"></td> <td style="width: 30%; text-align: right;">61,223</td> </tr> </table> • Amortization of deferred gains on refunding bonds. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;"></td> <td style="width: 30%; text-align: right;">37,455</td> </tr> </table> • Change in deferred outflows/inflows of resources related to pensions. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;"></td> <td style="width: 30%; text-align: right;">(963,768)</td> </tr> </table> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Change in compensated absence liability</td> <td style="width: 30%; text-align: right;">(33,677)</td> </tr> <tr> <td>Change in landfill liability</td> <td style="text-align: right;">50,000</td> </tr> <tr> <td>Change in net OPEB obligation</td> <td style="text-align: right;">(4,572,644)</td> </tr> <tr> <td>Change in net pension liability</td> <td style="text-align: right;"><u>273,342</u></td> </tr> </table> 		Capital outlay	3,729,516	Depreciation expense	(6,240,480)	Issuance of debt	(1,620,000)	Repayments of debt	4,273,063		(47,128)		(983,980)		61,223		37,455		(963,768)	Change in compensated absence liability	(33,677)	Change in landfill liability	50,000	Change in net OPEB obligation	(4,572,644)	Change in net pension liability	<u>273,342</u>
Capital outlay	3,729,516																										
Depreciation expense	(6,240,480)																										
Issuance of debt	(1,620,000)																										
Repayments of debt	4,273,063																										
	(47,128)																										
	(983,980)																										
	61,223																										
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Change in landfill liability	50,000																										
Change in net OPEB obligation	(4,572,644)																										
Change in net pension liability	<u>273,342</u>																										
Change in net position of governmental activities	\$ <u>(4,480,166)</u>																										

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

TOWN OF EASTON, MASSACHUSETTS
GENERAL FUND
STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES
- BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Transfers In				
Property taxes	\$ 52,144,099	\$ 52,174,461	\$ 52,174,461	\$ -
Motor vehicle excise	3,300,000	3,300,000	3,940,332	640,332
Licenses, permits and fees	2,244,350	2,310,000	2,757,059	447,059
Fines and forfeitures	356,530	335,000	374,842	39,842
Intergovernmental	13,438,603	13,416,080	13,385,679	(30,401)
Investment income	25,250	30,000	42,050	12,050
Other revenue	676,000	643,825	818,861	175,036
Transfers in	<u>1,748,005</u>	<u>1,849,186</u>	<u>1,852,400</u>	<u>3,214</u>
Total Revenues and Transfer In	73,932,837	74,058,552	75,345,684	1,287,132
Expenditures and Transfers Out				
Board of selectmen	374,025	398,025	397,436	589
Finance committee	1,500	2,000	1,635	365
Reserve fund	60,000	515	-	515
Town accountant	222,226	222,833	222,833	-
Board of assessors	245,718	245,718	245,334	384
Town Collector-Treasurer	353,163	357,523	357,522	1
Town counsel	140,000	182,858	182,857	1
Information technology	210,398	210,398	209,731	667
Town clerk	230,945	252,945	252,932	13
Planning and economic development	316,928	292,321	272,512	19,809
EE benefits and insurance	12,926,743	12,811,585	12,568,177	243,408
Other general government	98,900	98,900	95,893	3,007
Police department	4,136,992	4,136,992	3,879,528	257,464
Public safety dispatch	637,387	632,387	560,166	72,221
Fire department	3,536,849	3,607,849	3,607,809	40
Ambulance	602,901	607,901	607,899	2
Inspectional services	288,883	317,508	312,049	5,459
School budget	38,924,060	38,724,060	38,563,407	160,653
South Eastern Regional School	822,774	822,774	822,774	-
DPW administration	576,427	576,427	493,243	83,184
Buildings and grounds	900,225	945,225	1,023,066	(77,841)
DPW highway	1,116,317	1,116,317	1,095,787	20,530
Snow and ice removal	488,700	543,700	543,700	-
Health and community services	1,027,898	997,898	963,260	34,638
Library	500,649	500,649	500,649	-
Maturing debt and interest	5,000,835	5,000,835	4,934,756	66,079
County and state assessments	848,116	847,651	836,127	11,524
Capital outlay	-	525,301	524,350	951
Transfers out	<u>1,000</u>	<u>885,875</u>	<u>885,875</u>	<u>-</u>
Total Expenditures and Transfer Out	<u>74,590,559</u>	<u>75,864,970</u>	<u>74,961,307</u>	<u>903,663</u>
Excess of revenues and transfers in over expenditures and transfers out	(657,722)	(1,806,418)	384,377	2,190,795
Other Financing Sources (Uses)				
Use of free cash:				
For operating budget	914,939	914,939	-	(914,939)
For capital budget	-	424,120	424,120	-
For stabilization funding	-	669,875	669,875	-
Use of overlay surplus:				
For operating budget	40,818	95,518	-	(95,518)
Raise prior year deficits	<u>(298,035)</u>	<u>(298,034)</u>	<u>-</u>	<u>298,034</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,478,372</u>	<u>\$ 1,478,372</u>

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

TOWN OF EASTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2017

	Business-Type Activities Enterprise Fund			<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Fund</u>	
Assets				
Current:				
Cash and short-term investments	\$ 2,674,498	\$ 1,892,900	\$ 282,981	\$ 4,850,379
Receivables:				
User fees, net of allowance for uncollectibles	906,457	2,337	57,353	966,147
Betterments	-	3,073,780	-	3,073,780
Inventories	<u>92,797</u>	<u>-</u>	<u>-</u>	<u>92,797</u>
Total current assets	3,673,752	4,969,017	340,334	8,983,103
Noncurrent:				
Capital assets, not being depreciated	3,393,475	6,516,946	-	9,910,421
Capital assets being depreciated, net of accumulated depreciation	<u>29,058,237</u>	<u>5,177,988</u>	<u>-</u>	<u>34,236,225</u>
Total noncurrent assets	32,451,712	11,694,934	-	44,146,646
Deferred Outflows of Resources				
Related to pensions	<u>108,975</u>	<u>-</u>	<u>-</u>	<u>108,975</u>
Total Assets and Deferred Outflows of Resources	36,234,439	16,663,951	340,334	53,238,724
Liabilities				
Current:				
Accrued liabilities	32,876	100,757	-	133,633
Notes payable	-	6,070,000	-	6,070,000
Current portion of long-term liabilities:				
Bonds payable	202,000	112,066	-	314,066
Accrued employee benefits	<u>6,496</u>	<u>-</u>	<u>-</u>	<u>6,496</u>
Total current liabilities	241,372	6,282,823	-	6,524,195
Noncurrent:				
Bonds payable	1,510,000	3,780,885	-	5,290,885
Net pension liability	614,695	-	-	614,695
Net OPEB obligation	765,606	-	-	765,606
Accrued employee benefits	<u>123,429</u>	<u>-</u>	<u>-</u>	<u>123,429</u>
Total noncurrent liabilities	3,013,730	3,780,885	-	6,794,615
Deferred Inflows of Resources				
Related to pensions	<u>16,877</u>	<u>-</u>	<u>-</u>	<u>16,877</u>
Total Liabilities and Deferred Inflows of Resources	3,271,979	10,063,708	-	13,335,687
Net Position				
Net investment in capital assets	30,941,731	3,365,087	-	34,306,818
Unrestricted	<u>2,020,729</u>	<u>3,235,156</u>	<u>340,334</u>	<u>5,596,219</u>
Total Net Position	<u>\$ 32,962,460</u>	<u>\$ 6,600,243</u>	<u>\$ 340,334</u>	<u>\$ 39,903,037</u>

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

TOWN OF EASTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities Enterprise Fund			
	Water Fund	Sewer Fund	Nonmajor Fund	Total
Operating Revenues				
Charges for services	\$ 3,066,923	\$ 6,931	\$ 1,150,205	\$ 4,224,059
Other	<u>85,996</u>	<u>109</u>	<u>511,293</u>	<u>597,398</u>
Total Operating Revenues	3,152,919	7,040	1,661,498	4,821,457
Operating Expenses				
Personnel services	1,181,997	-	25,000	1,206,997
Purchase of services	975,822	178,641	1,620,168	2,774,631
Depreciation	<u>831,043</u>	<u>312,836</u>	<u>-</u>	<u>1,143,879</u>
Total Operating Expenses	<u>2,988,862</u>	<u>491,477</u>	<u>1,645,168</u>	<u>5,125,507</u>
Operating Income (Loss)	164,057	(484,437)	16,330	(304,050)
Nonoperating Revenues (Expenses)				
Investment income	59	-	-	59
Interest expense	<u>(57,193)</u>	<u>(135,784)</u>	<u>-</u>	<u>(192,977)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(57,134)</u>	<u>(135,784)</u>	<u>-</u>	<u>(192,918)</u>
Income (Loss) Before Transfers	106,923	(620,221)	16,330	(496,968)
Transfers in	<u>-</u>	<u>54,392</u>	<u>-</u>	<u>54,392</u>
Change in Net Position	106,923	(565,829)	16,330	(442,576)
Net Position at Beginning of Year	<u>32,855,537</u>	<u>7,166,072</u>	<u>324,004</u>	<u>40,345,613</u>
Net Position at End of Year	<u>\$ 32,962,460</u>	<u>\$ 6,600,243</u>	<u>\$ 340,334</u>	<u>\$ 39,903,037</u>

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

TOWN OF EASTON, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities Enterprise Funds			
	Water Fund	Sewer Fund	Nonmajor Fund	Total
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 3,257,495	\$ 336,799	\$ 1,163,795	\$ 4,758,089
Payments to vendors and employees	(2,191,607)	(178,641)	(1,149,659)	(3,519,907)
Net Cash Provided By Operating Activities	1,065,888	158,158	14,136	1,238,182
Cash Flows From Noncapital Financing Activities				
Transfers in	-	54,392	-	54,392
Net Cash Provided by Noncapital Financing Activities	-	54,392	-	54,392
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(562,027)	(2,047,861)	-	(2,609,888)
Proceeds from issuance of bonds	400,000	-	-	400,000
Proceeds from issuance of notes	-	6,070,000	-	6,070,000
Principal payments on bonds	(190,000)	(114,704)	-	(304,704)
Principal payments on notes	(400,000)	(4,705,000)	-	(5,105,000)
Interest expense	(56,565)	(92,730)	-	(149,295)
Net Cash (Used For) Capital and Related Financing Activities	(808,592)	(890,295)	-	(1,698,887)
Cash Flows From Investing Activities				
Investment income	59	-	-	59
Net Cash Provided By Investing Activities	59	-	-	59
Net Change in Cash and Short-Term Investments	257,355	(677,745)	14,136	(406,254)
Cash and Short-Term Investments, Beginning of Year	2,417,143	2,570,645	268,845	5,256,633
Cash and Short-Term Investments, End of Year	\$ 2,674,498	\$ 1,892,900	\$ 282,981	\$ 4,850,379
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities				
Operating income (loss)	\$ 164,057	\$ (484,437)	\$ 16,330	\$ (304,050)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	831,043	312,836	-	1,143,879
Changes in assets, liabilities, and deferred outflows/inflows:				
Receivables	104,576	329,759	(2,194)	432,141
Inventory	349	-	-	349
Deferred outflows related to pensions	19,974	-	-	19,974
Accrued liabilities	6,187	-	-	6,187
Net OPEB obligation	(52,337)	-	-	(52,337)
Net pension liability	(4,755)	-	-	(4,755)
Deferred inflows related to pensions	(3,206)	-	-	(3,206)
Net Cash Provided By Operating Activities	\$ 1,065,888	\$ 158,158	\$ 14,136	\$ 1,238,182

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

TOWN OF EASTON, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2017

	Other Post Employment Benefits <u>Trust Fund</u>	Private Purpose <u>Trust Funds</u>	Agency <u>Funds</u>
Assets			
Cash and short-term investments	\$ -	\$ 368,436	\$ 820,164
Investments	<u>107,793</u>	<u>363,506</u>	<u>-</u>
Total Assets	107,793	731,942	820,164
 Liabilities			
Other liabilities	<u>-</u>	<u>-</u>	<u>820,164</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>820,164</u>
 Net Position			
Total net position restricted for OPEB and other purposes	<u>\$ 107,793</u>	<u>\$ 731,942</u>	<u>\$ -</u>

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

TOWN OF EASTON, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Other Post Employment Benefits Trust Fund</u>	<u>Private Purpose Trust Funds</u>
Additions		
Investment income	\$ 4,027	\$ 36,790
Contributions	<u>3,075,801</u>	<u>50,630</u>
Total additions	3,079,828	87,420
Deductions		
Benefit payments	3,075,801	-
Other	<u>-</u>	<u>56,730</u>
Total deductions	<u>3,075,801</u>	<u>56,730</u>
Net increase	4,027	30,690
Net position restricted for OPEB and other purposes		
Beginning of year	<u>103,766</u>	<u>701,252</u>
End of year	<u><u>\$ 107,793</u></u>	<u><u>\$ 731,942</u></u>

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

TOWN OF EASTON, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

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 government 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 Town'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 *Community Preservation Fund* was established by the Town for the purpose of acquiring land for conservation purposes, developing affordable housing units in Town, and preserving and acquiring historical property.
- The *ESCO Capital Project Fund* accounts for activity associated with the energy efficient upgrades to Town and School buildings.

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 Town reports the following major proprietary funds:

- The *Water Enterprise Fund* accounts for the resources and costs associated with the Town's operating costs and maintenance of water infrastructure.
- The *Sewer Enterprise Fund* accounts for the resources and costs associated with the Town's operating costs and maintenance of sewer infrastructure.

In addition, the Town has a Trash Enterprise Fund, used to account for solid waste removal activities, and Cable Access Enterprise Fund, used to account for community programming services. Both activities combined are reported as a nonmajor fund.

The fiduciary fund financial statements are reporting 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 *OPEB Trust Fund* accounts for resources accumulated for providing qualified retirees other post-employment benefits (OPEB), other than pensions, which is mainly attributable to health care.
- The *Private-Purpose Trust Fund* is used to account for trust arrangements, other than those properly reported in the OPEB Trust Fund or permanent funds, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Agency Fund* accounts for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others.

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.

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 \$4,801.

G. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

H. 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 government as assets with an initial individual cost of more than \$15,000 and an estimated useful life in excess of two 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	50
Vehicles	3 - 5
Office equipment	3 - 10
Computer equipment	3 - 5
Furnishings	5

I. Compensated Absences

It is the Town’s policy to permit 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; otherwise, the liability is appropriately reported in the government-wide statements.

J. 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.

K. 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 consist 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.

L. 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 Town Administrator 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 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)	\$ 82,157,090	\$ 81,991,356
Other financing sources/uses (GAAP basis)	<u>2,455,671</u>	<u>258,235</u>
Subtotal (GAAP Basis)	84,612,761	82,249,591
To adjust property tax revenues to the budgetary basis	(308,810)	-
To reverse expenditures of prior year appropriation carryforwards	-	(654,306)
To book current year appropriation carryforwards	-	483,257
To reverse State contributions for teachers retirement	(8,357,675)	(8,357,675)
To record use of free cash as a funding source for stablization funding	669,875	-
To reverse indirect cost transfers	547,753	547,753
To reverse nonbudgeted stabilization activity	(1,169,748)	684,875
Other timing differences	<u>21,403</u>	<u>7,812</u>
Budgetary Basis	<u>\$ 76,015,559</u>	<u>\$ 74,961,307</u>

C. Excess of Expenditure over Appropriations

Expenditures exceeding appropriations during the current fiscal year were as follows:

Buildings and grounds	\$ (77,841)
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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 to it. 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, \$879,569 of the Town's bank balance of \$23,873,912 was exposed to custodial credit risk as uninsured or uncollateralized. \$744,582 of the Town's uninsured and uncollateralized amount is on deposit with the Massachusetts Municipal Depository Trust.

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 is the actual rating as of year-end for each investment of the Town:

<u>Investment Grade</u>	<u>U.S. Treasury Bonds</u>	<u>Federal Agency Securities</u>	<u>Corporate Bonds</u>	<u>Bond Mutual Funds</u>	<u>Equity Mutual Funds</u>	<u>Certificate of Deposits</u>
AAA	\$ 1,032,327	\$ 1,990,328	\$ -	\$ -	\$ -	\$ -
A+	-	-	162,916	-	-	-
A	-	-	84,973	-	-	-
A-	-	-	149,540	-	-	-
BBB+	-	-	879,066	-	-	-
BBB-	-	-	94,775	-	-	-
Exempt for Disclosure	-	-	-	461,551	957,820	2,274,052
Total investments	\$ <u>1,032,327</u>	\$ <u>1,990,328</u>	\$ <u>1,371,270</u>	\$ <u>461,551</u>	\$ <u>957,820</u>	\$ <u>2,274,052</u>

B. Custodial Credit Risk

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. The Town does not have policies for custodial credit risk.

The Town's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the town's brokerage firm, which is also the Counterparty to these securities. The Town manages this risk with SIPC and Excess SIPC coverage.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>
Federal Home Loan Mtg. Corp	\$ <u>1,990,328</u>
Total	\$ <u><u>1,990,328</u></u>

D. 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 does not have 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:

<u>Investment Type</u>	<u>Amount</u>	<u>< 1 Year</u>	<u>1-5 Years</u>
U.S. Treasury Notes	\$ 1,032,327	\$ -	\$ 1,032,327
Federal Agency Securities	1,990,328	-	1,990,328
Corporate Bonds	1,371,270	245,832	1,125,438
Bond Mutual Funds	461,551	461,551	-
Equity Mutual Funds	957,820	957,820	-
Certificates of Deposits	<u>2,274,052</u>	<u>2,274,052</u>	<u>-</u>
Total	<u>\$ 8,087,348</u>	<u>\$ 3,939,255</u>	<u>\$ 4,148,093</u>

E. 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 does not have policies for foreign currency risk.

F. 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.

The Town has the following fair value measurements as of June 30, 2017:

<u>Description</u>	<u>Fair Value Measurements Using:</u>			
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	
Investments by fair value level:				
Debt securities:				
U.S. Treasury Securities	\$ 1,032,327	\$ -	\$ 1,032,327	\$ -
Federal Agency Securities	1,990,328	-	1,990,328	-
Corporate Bonds	1,371,270	-	1,371,270	-
Equity Securities:				
Bond Mutual Funds	461,551	461,551	-	-
Equity Mutual Funds	74,842	74,842	-	-
Corporate Equities:				
Utilities	98,043	98,043	-	-
Financials	89,654	89,654	-	-
Industrials	80,498	80,498	-	-
Healthcare	263,809	263,809	-	-
Consumer Goods	259,686	259,686	-	-
Services	<u>91,288</u>	<u>91,288</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,813,296</u>	<u>\$ 1,419,371</u>	<u>\$ 4,393,925</u>	<u>\$ -</u>

5. Property Taxes and Excises Receivables

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of 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.

Property taxes and excises 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	\$ 555,823	\$ (579)	\$ 555,244
Personal property taxes	92,553	(58,073)	34,480
Tax liens	813,255	(81,325)	731,930
Other	<u>32,236</u>	<u>-</u>	<u>32,236</u>
Total property taxes	1,493,867	(139,977)	1,353,890
Motor vehicle excise	<u>563,131</u>	<u>(249,224)</u>	<u>313,907</u>
Grand total	<u>\$ 2,056,998</u>	<u>\$ (389,201)</u>	<u>\$ 1,667,797</u>

6. User Fees Receivables

The Town provides water, sewer, and trash services for its residents. Bills are sent monthly to residential homes and commercial accounts, based on usage.

Receivables for user charges 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>
Water	\$ 917,705	\$ (11,248)	\$ 906,457
Sewer	2,460	(123)	2,337
Nonmajor	<u>60,440</u>	<u>(3,087)</u>	<u>57,353</u>
Total	<u>\$ 980,605</u>	<u>\$ (14,458)</u>	<u>\$ 966,147</u>

7. **Betterments Receivable**

The Town offers a betterment loan program for failing septic systems. The loans are provided, through an agreement between the Town, the Massachusetts Department of Environmental Protection, and the Water Pollution Abatement Trust. The loan is offered at an interest rate of two percent for a period of 20 years.

Betterments receivable at June 30, 2017 was \$4,317,625.

8. **Intergovernmental Receivables**

This balance represents Massachusetts School Building Authority grants as well as other various federal and state grants. Future receipt of MSBA contract assistance payments will be in fiscal year 2018.

9. **Loan Receivable**

This balance represents a loan from Beacon Communities in relation to the Beacon Shovelworks project that was funded by the Community Preservation fund. The original amount of the loan is \$4,350,000 with an annually compounding interest rate of 3%. The maturity date on this loan is April 11, 2028. As of June 30, 2017, the outstanding balance on the loan receivable is \$4,885,605 which includes the original loan balance plus accrued interest of \$535,605.

10. **Interfund Transfers**

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund transfers must be utilized.

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2017:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,455,671	\$ 258,235
Community Preservation Fund	-	200,000
Nonmajor Funds:		
Special Revenue Funds:		
Town revolving funds	-	1,650,000
Other special revenue funds	205,200	814,896
Capital Project Funds	14,750	16,107
Permanent Funds	<u>215,000</u>	<u>5,775</u>
Subtotal Nonmajor Funds	434,950	2,486,778
<u>Business-Type Funds:</u>		
Sewer Fund	<u>54,392</u>	-
Subtotal Business-Type Funds	<u>54,392</u>	-
Grand Total	\$ <u>2,945,013</u>	\$ <u>2,945,013</u>

The Town transferred \$1,650,000 from the Avalon Bay mitigation funds to the capital stabilization account. Of the \$814,896 transferred from other special revenue funds, \$425,000 was transferred from the Oliver Ames Highway and School accounts to cover expenditures incurred and paid by the general fund. Other transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

11. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 121,282,016	\$ 626,996	\$ -	\$ 121,909,012
Machinery, equipment, and furnishings	10,663,406	607,506	(58,188)	11,212,724
Infrastructure	<u>41,983,962</u>	<u>2,731,459</u>	-	<u>44,715,421</u>
Total capital assets, being depreciated	173,929,384	3,965,961	(58,188)	177,837,157
Less accumulated depreciation for:				
Buildings and improvements	(48,025,961)	(3,888,125)	-	(51,914,086)
Machinery, equipment, and furnishings	(8,030,967)	(657,166)	58,188	(8,629,945)
Infrastructure	<u>(26,453,479)</u>	<u>(1,695,189)</u>	-	<u>(28,148,668)</u>
Total accumulated depreciation	<u>(82,510,407)</u>	<u>(6,240,480)</u>	<u>58,188</u>	<u>(88,692,699)</u>
Total capital assets, being depreciated, net	91,418,977	(2,274,519)	-	89,144,458
Capital assets, not being depreciated:				
Land	16,171,990	-	-	16,171,990
Intangible assets	4,000,000	-	-	4,000,000
Construction in progress	<u>3,291,498</u>	<u>990,757</u>	<u>(1,227,202)</u>	<u>3,055,053</u>
Total capital assets, not being depreciated	<u>23,463,488</u>	<u>990,757</u>	<u>(1,227,202)</u>	<u>23,227,043</u>
Governmental activities capital assets, net	\$ <u>114,882,465</u>	\$ <u>(1,283,762)</u>	\$ <u>(1,227,202)</u>	\$ <u>112,371,501</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 389,519	\$ -	\$ -	\$ 389,519
Machinery, equipment, and furnishings	2,069,122	137,543	-	2,206,665
Infrastructure	<u>51,520,326</u>	<u>149,566</u>	-	<u>51,669,892</u>
Total capital assets, being depreciated	53,978,967	287,109	-	54,266,076
Less accumulated depreciation for:				
Buildings and improvements	(317,066)	(8,621)	-	(325,687)
Machinery, equipment, and furnishings	(1,527,179)	(112,827)	-	(1,640,006)
Infrastructure	<u>(17,041,727)</u>	<u>(1,022,431)</u>	-	<u>(18,064,158)</u>
Total accumulated depreciation	<u>(18,885,972)</u>	<u>(1,143,879)</u>	-	<u>(20,029,851)</u>
Total capital assets, being depreciated, net	35,092,995	(856,770)	-	34,236,225
Capital assets, not being depreciated:				
Land	3,085,138	-	-	3,085,138
Construction in progress	<u>4,502,504</u>	<u>2,322,779</u>	-	<u>6,825,283</u>
Total capital assets, not being depreciated	<u>7,587,642</u>	<u>2,322,779</u>	-	<u>9,910,421</u>
Business-type activities capital assets, net	<u>\$ 42,680,637</u>	<u>\$ 1,466,009</u>	<u>\$ -</u>	<u>\$ 44,146,646</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 62,136
Public safety	472,650
Education	3,793,112
Public works	1,854,095
Culture and recreation	31,227
Health and human services	<u>27,260</u>
Total depreciation expense - governmental activities	<u>\$ 6,240,480</u>
Business-Type Activities:	
Water	\$ 831,043
Sewer	<u>312,836</u>
Total depreciation expense - business-type activities	<u>\$ 1,143,879</u>

12. 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 19.

13. Warrants Payable

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

14. Notes Payable

The Town had the following notes outstanding at June 30, 2017.

	Interest Rate	Date of Issue	Date of Maturity	Balance at 6/30/17
<u>Governmental Activities</u>				
MWPAT Loan - Septic	2.00%	08/23/15	upon completion	\$ 320,879
DPW Pavement Management Road Funding	1.50%	08/19/16	08/18/17	500,000
ESCO Energy Efficiency	1.50%	08/19/16	08/18/17	3,180,000
Wastewater Upgrade - School	1.50%	08/19/16	08/18/17	330,000
Hooklift	1.50%	08/19/16	08/18/17	100,000
School Security Improvements	1.50%	08/19/16	08/18/17	100,000
Pavement Managements	1.50%	06/30/17	08/18/17	300,000
Subtotal				4,830,879
<u>Business-Type Activities</u>				
Sewer Design, Permit & construction (Queset Commercial District)	1.50%	08/19/16	08/18/17	1,315,000
Sewer Design (5 Corners District)	1.50%	08/19/16	08/18/17	1,200,000
Wastewater Treatment (Queset Commercial District)	1.50%	08/19/16	08/18/17	3,070,000
Wastewater Treatment (5 Corners District)	1.50%	08/19/16	08/18/17	485,000
Subtotal				6,070,000
Grand Total				\$ <u>10,900,879</u>

The following summarizes activity in notes payable during fiscal year 2017:

	Balance Beginning of Year	Issues	Maturities	Balance End of Year
<u>Governmental Activities</u>				
MWPAT - septic	\$ 500,000	\$ -	\$ (500,000)	\$ -
MWPAT - septic	154,840	166,039	-	320,879
Moreau Elementary School roof	200,000	-	(200,000)	-
DPW Management road funding	500,000	-	(500,000)	-
ESCO energy efficiency	1,900,000	-	(1,900,000)	-
ESCO energy efficiency	1,280,000	-	(1,280,000)	-
School WWTP upgrade	330,000	-	(330,000)	-
Ambulance	250,000	-	(250,000)	-
Hooklift	200,000	-	(200,000)	-
Municipal facilities capital improvements	200,000	-	(200,000)	-
DPW pavement management road funding	-	500,000	-	500,000
ESCO energy efficiency	-	3,180,000	-	3,180,000
Wastewater upgrade - school	-	330,000	-	330,000
Hooklift	-	100,000	-	100,000
School security improvements	-	100,000	-	100,000
Pavement managements	-	300,000	-	300,000
Subtotal	5,514,840	4,676,039	(5,360,000)	4,830,879
<u>Business-Type Activities</u>				
Wastewater treatment	100,000	-	(100,000)	-
Sewer design	245,000	-	(245,000)	-
Wastewater treatment	2,870,000	-	(2,870,000)	-
Sewer design	255,000	-	(255,000)	-
Wastewater treatment	335,000	-	(335,000)	-
Sewer design	900,000	-	(900,000)	-
Water well replacement	200,000	-	(200,000)	-
Water main replacement program	200,000	-	(200,000)	-
Sewer design, permit and construction (Queset commercial district)	-	1,315,000	-	1,315,000
Sewer design (5 Corners district)	-	1,200,000	-	1,200,000
Wastewater treatment (Queset commercial district)	-	3,070,000	-	3,070,000
Wastewater treatment (5 Corners district)	-	485,000	-	485,000
Subtotal	5,105,000	6,070,000	(5,105,000)	6,070,000
Grand Total	\$ <u>10,619,840</u>	\$ <u>10,746,039</u>	\$ <u>(10,465,000)</u>	\$ <u>10,900,879</u>

15. 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:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/17</u>
MWPAT sewer loan	2020	0.00	\$ 22,713
Landfill closure - refunded	2023	2.00 - 3.00	725,000
School Planning - refunded	2023	2.00 - 3.00	565,000
MWPAT wastewater study	2023	3.00 - 5.00	14,774
Library refunded	2019	4.00 - 5.00	70,000
Landfill closure - refunded	2020	4.00 - 5.00	280,000
Foundry street - refunded	2020	4.00 - 5.00	45,000
Concom Ind - Lewis Farms refunded	2020	4.00 - 5.00	15,000
School construction - refunded	2018	4.00 - 5.00	1,275,000
Library addition	2020	2.00 - 5.00	110,000
Capital budget - DPW roof	2020	2.00 - 5.00	30,000
School electrical updates	2020	2.00 - 5.00	70,000
Capital budget - stadium	2024	2.00 - 5.00	630,000
School construction	2027	2.00 - 5.00	2,350,000
MWPAT	2033	2.00	251,519
Street Reconstruction	2027	2.00 - 3.00	600,000
Fire Station Roof	2033	2.00 - 3.00	135,000
MWPAT - Septic Loan Program	2033	0.00	160,000
Chestnut Street Land Acquisiton	2033	2.00 - 3.00	1,985,000
School construction	2018	2.00 - 3.00	45,000
Capital budget - Equipment	2022	2.00 - 3.00	175,000
Capital budget - Gov Ames/Middle School Roof/Equipment	2023	3.00 - 3.50	710,000
Capital budget - Main Street/DPW Equipment/Asset Mgmt/School Van	2017 - 2028	2.00 - 4.00	1,220,000
School construction - refunded	2026	2.00 - 4.00	11,186,500
CPA land acquisition - refunded	2026	2.00 - 4.00	791,500
MWPAT 98-1026-B Series 18 Title V	2035	0.00	450,000
MWPAT 98-1026-C Series 18 Title V	2035	0.00	450,000
Land acquisition	2035	2.00 - 3.50	2,460,000
Capital budget - School roofs/departmental equipment	2035	2.00 - 3.50	2,875,000
Moreau Hall Roof	2035	2.00 - 3.50	70,000
Pavement Management	2035	2.00 - 3.50	500,000
Ambulance	2035	2.00 - 3.50	250,000
DPW Hooklift	2035	2.00 - 3.50	100,000
DPW Mun Facilities Improvements	2035	2.00 - 3.50	200,000
MCWT CWT-14-04 Series 20	2035	2.00 - 3.50	500,000
Total Governmental Activities			<u>\$ 31,317,006</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/17</u>
Water main construction	2018	2.00 - 3.00	\$ 20,000
Water Main Replacement	2018	2.00 - 4.00	200,000
Well #4 Replacement	2018	2.00 - 4.00	200,000
Bay Road land acquisition - refunded	2026	2.00 - 4.00	257,000
Water main replacment program	2029	2.00 - 4.00	210,000
Water	2029	2.00 - 4.00	160,000
Water main construction	2033	2.00 - 3.00	665,000
MWPAT	2043	2.40	3,892,951
Total Business-Type Activities			<u>\$ 5,604,951</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	\$ 4,373,971	\$ 1,400,379	\$ 5,774,350
2019	3,044,301	881,902	3,926,203
2020	2,955,045	785,902	3,740,947
2021	2,768,235	678,724	3,446,959
2022	2,809,014	563,871	3,372,885
2023 - 2027	11,512,486	1,395,537	12,908,023
2028 - 2032	2,742,156	334,205	3,076,361
2033 - 2035	1,111,798	58,557	1,170,355
Total	<u>\$ 31,317,006</u>	<u>\$ 6,099,077</u>	<u>\$ 37,416,083</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 314,066	\$ 141,002	\$ 455,068
2019	259,476	145,612	405,088
2020	256,939	139,123	396,062
2021	259,454	131,836	391,290
2022	262,023	124,300	386,323
2023 - 2027	1,310,633	512,500	1,823,133
2028 - 2032	973,663	379,914	1,353,577
2033 - 2037	846,963	220,980	1,067,943
2038 - 2042	922,634	97,169	1,019,803
2043	199,100	5,077	204,177
Total	<u>\$ 5,604,951</u>	<u>\$ 1,897,513</u>	<u>\$ 7,502,464</u>

C. Changes in General Long-Term Liabilities

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

	Total Balance 7/1/16	Additions	Reductions	Total Balance 6/30/17	Less Current Portion	Equals Long-Term Portion 6/30/17
<u>Governmental Activities</u>						
Bonds payable	\$ 33,970,069	\$ 1,620,000	\$ (4,273,063)	\$ 31,317,006	\$ (4,373,971)	\$ 26,943,035
Net pension liability	35,605,698	-	(273,342)	35,332,356	-	35,332,356
Net OPEB obligation	45,862,005	8,058,916	(3,486,272)	50,434,649	-	50,434,649
Other:						
Accrued employee benefits	673,548	33,677	-	707,225	(35,361)	671,864
Landfill closure	800,000	-	(50,000)	750,000	(50,000)	700,000
Subtotal - other	1,473,548	33,677	(50,000)	1,457,225	(85,361)	1,371,864
Total	\$ 116,911,320	\$ 9,712,593	\$ (8,082,677)	\$ 118,541,236	\$ (4,459,332)	\$ 114,081,904
<u>Business-Type Activities</u>						
Bonds payable	\$ 5,509,655	\$ 400,000	\$ (304,704)	\$ 5,604,951	\$ (314,066)	\$ 5,290,885
Net pension liability	619,450	-	(4,755)	614,695	-	614,695
Net OPEB obligation	817,943	147,205	(199,542)	765,606	-	765,606
Other:						
Accrued employee benefits	123,738	6,187	-	129,925	(6,496)	123,429
Subtotal - other	123,738	6,187	-	129,925	(6,496)	123,429
Total	\$ 7,070,786	\$ 553,392	\$ (509,001)	\$ 7,115,177	\$ (320,562)	\$ 6,794,615

16. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. In 2002, the Town authorized borrowing \$2,400,000 to fund the expected costs of re-capping and monitoring of the landfill.

The \$750,000 reported as landfill closure and postclosure care liability at June 30, 2017 represents what it would cost to perform all closure and post-closure care remaining on the closed landfill site in 2017. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

17. 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. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 19. *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.

Gains on refunding bonds are reported in the government-wide statement of net position in connection with the unamortized amount of gains resulting from the refunding of prior year(s) long-term bonds.

18. 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 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 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 capital projects 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 capital stabilization funds set aside by Town Meeting vote for future capital acquisitions and improvements.

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, and surplus set aside to be used in the subsequent year's budget voted by Town Meeting.

Unassigned - Represents amounts that are available to be spent in future periods and temporary deficit balances in other governmental funds.

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

	General Fund	Community Preservation Funds	ESCO Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 33,152	\$ 33,152
Total Nonspendable	-	-	-	33,152	33,152
Restricted					
Bonded projects	-	-	-	289,338	289,338
Special revenue funds:					
KFD extended day	-	-	-	278,430	278,430
Custodial revolving	-	-	-	199,222	199,222
Special education revolving	-	-	-	344,675	344,675
Athletic revolving - gate receipts	-	-	-	81,187	81,187
Athletic revolving	-	-	-	127,244	127,244
Oliver Ames Trust - highway	-	-	-	316,289	316,289
Oliver Ames Trust - school	-	-	-	191,186	191,186
Special education circuit breaker	-	-	-	921,770	921,770
Septic loan betterments	-	-	-	589,076	589,076
Other special revenue funds	-	-	-	1,166,363	1,166,363
Expendable permanent funds:					
Conservation trust	-	-	-	166,070	166,070
Affordable housing trust - CPA	-	-	-	1,094,990	1,094,990
Other expendable permanent funds	-	-	-	201,982	201,982
Community preservation funds	-	4,466,325	-	-	4,466,325
Total Restricted	-	4,466,325	-	5,967,822	10,434,147
Committed					
Nonlapsing capital appropriations	585,843	-	-	-	585,843
Capital stabilization	2,098,143	-	-	-	2,098,143
Total Committed	2,683,986	-	-	-	2,683,986
Assigned					
For encumbrances	238,612	-	-	-	238,612
For next year's expenditures	1,585,504	-	-	-	1,585,504
Total Assigned	1,824,116	-	-	-	1,824,116
Unassigned					
General fund	3,092,313	-	-	-	3,092,313
General stabilization	1,812,534	-	-	-	1,812,534
Deficits	-	-	(2,764,933)	(1,837,295)	(4,602,228)
Total Unassigned	4,904,847	-	(2,764,933)	(1,837,295)	302,619
Total Fund Balance	\$ 9,412,949	\$ 4,466,325	\$ (2,764,933)	\$ 4,163,679	\$ 15,278,020

19. Retirement System – Bristol County 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 employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Bristol County 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 645 County Street, County Crossing, Taunton, Massachusetts 02780.

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%, 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/City 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.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

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 \$3,751,909, 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 \$35,947,051 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. 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 10.7676%.

For the year ended June 30, 2017, the Town recognized pension expense of \$4,661,553. 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	\$ 1,467,859	\$ -
Changes of assumptions	-	862,089
Net difference between projected and actual earnings on pension plan investments	4,846,010	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>58,931</u>	<u>124,863</u>
Total	<u>\$ 6,372,800</u>	<u>\$ 986,952</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:	<u>Net deferred outflows (inflows) of resources</u>
2018	\$ 1,879,634
2019	1,879,634
2020	1,440,383
2021	<u>186,197</u>
Total	<u>\$ 5,385,848</u>

D. Actuarial Assumptions

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

Valuation Date	January 1, 2016
Actuarial cost method	Entry age
Inflation	4.00%
Salary increases	2.75% - 5.50%
Investment rate of return	7.75%

Mortality rates were as follows:

- Pre-retirement - reflects RP-2014 Blue Collar Mortality Table with Scale MP-2014, fully generational.
- Health Retiree – Group 1 & 2 retirees are represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and three years for females, fully generational. Group 4 retirees are represented by the RP-2014 Blue Collar Mortality Table set forward three years for males and six years for females, fully generational.
- Disabled Retiree – Group 1 & 2 disabled retirees are represented by the RP-2000 Mortality Table set forward six years. Group 4 disabled retirees are represented by RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2014.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period January 1, 2015 through December 31, 2015.

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 expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	46.5%	7.8%
Fixed Income	24.5%	5.0%
Private equity	8.5%	11.3%
Real estate	7.5%	6.3%
Hedge funds	5.0%	7.1%
Infrastructure	5.0%	8.0%
Timber	3.0%	7.5%
Total	<u>100.0%</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:

<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$ 49,340,293	\$ 35,947,051	\$ 26,472,922

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.

20. 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 and 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):

<u>1% Decrease to 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase to 8.50%</u>
\$ 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 2016 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense was \$81,932,729 and \$8,357,675 respectively, based on a proportionate share of 0.366459%. 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.

21. Other Post-Employment Benefits – OPEB (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 in Note 19, the Town provides 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 June 30, 2017, the actuarial valuation date, approximately 616 retirees and 635 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 will receive these benefits.

C. Funding Policy

Retirees contribute 25% - 50% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs 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 June 30, 2017.

Annual Required Contribution (ARC)	\$ 8,733,173
Interest on net OPEB obligation	1,950,549
Adjustment to ARC	<u>(2,658,531)</u>
Annual OPEB cost	8,025,191
Contributions made	<u>(3,504,884)</u>
Increase in net OPEB obligation	4,520,307
Net OPEB obligation - beginning of year	<u>46,679,948</u>
Net OPEB obligation - end of year	<u><u>\$ 51,200,255</u></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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 8,025,191	44%	\$ 51,200,255
2016	\$ 7,943,471	36%	\$ 46,679,948
2015	\$ 7,661,116	34%	\$ 41,583,180
2014	\$ 7,992,074	31%	\$ 36,527,540

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 118,540,747
Actuarial value of plan assets	<u>(107,793)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 118,432,954</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.09%</u>
Covered payroll (active plan members)	<u>\$ 42,034,403</u>
UAAL as a percentage of covered payroll	<u>281.75%</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 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 June 30, 2017 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was determined to be \$107,793. The actuarial assumptions included a 3.75% investment rate of return and an initial annual healthcare cost trend rate of 5.0% which decreases to a 4.5% long-term rate for all healthcare benefits after five years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 26 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.25%.

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

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 mutual funds. 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	\$ 122,674,340
Plan fiduciary net position	<u>(107,793)</u>
Net OPEB liability	<u>\$ 122,566,547</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.10%

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

Investment rate of return 3.75%, net of OPEB plan investment expense,
including inflation

Mortality rates were based on the RP-2014 Blue Collar Mortality with Scale MP-2016, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and three years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2016.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

The Town does not have an investment policy detailing the assumed asset allocation on the OPEB plan's portfolio along with expected long-term expected real rate of return for each major asset class.

Discount rate. The discount rate used to measure the total OPEB liability was 3.75%. 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 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 (2.75%) or 1-percentage-point higher (4.75%) than the current discount rate:

1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
\$ 148,584,375	\$ 122,566,547	\$ 103,041,864

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 (4.50% decreasing to 3.50%) or 1-percentage-point higher (6.50% decreasing to 5.50%) than the current healthcare cost trend rates:

1% Decrease (4.50% decreasing to 3.50%)	Healthcare Cost Trend Rates (5.50% decreasing to 4.50%)	1% Increase (6.50% decreasing to 5.50%)
\$ 102,089,311	\$ 122,566,547	\$ 149,787,538

23. Subsequent Events

Debt

Subsequent to June 30, 2017, the Town has incurred the following debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General obligation bonds	\$ 3,550,000	2.125 - 4.00%	8/15/17	8/15/35
Bond anticipation notes	\$ 8,076,000	2.50%	8/18/17	8/17/18

24. Commitments and Contingencies

Abatements - There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to Town Counsel, the probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts, if any, to be immaterial.

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.

25. 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 the 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.

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

JUNE 30, 2017
(Unaudited)

Bristol County Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2017	December 31, 2016	10.7676%	\$35,947,051	\$ 17,332,286	207.40%	64.17%
June 30, 2016	December 31, 2015	10.7680%	\$36,225,148	\$ 16,827,462	215.27%	62.90%
June 30, 2015	December 31, 2014	10.6570%	\$30,449,433	\$ 16,022,954	190.04%	67.11%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2017	June 30, 2016	0.366459%	\$ -	\$ 81,932,729	\$ 81,932,729	\$ 24,104,409	-	52.73%
June 30, 2016	June 30, 2015	0.368451%	\$ -	\$ 75,494,322	\$ 75,494,322	\$ 23,355,696	-	55.38%
June 30, 2015	June 30, 2014	0.369260%	\$ -	\$ 58,698,919	\$ 58,698,919	\$ 22,641,155	-	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 EASTON, MASSACHUSETTS

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

**JUNE 30, 2017
(Unaudited)**

Bristol County Retirement System

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2017	\$ 3,751,909	\$ 3,751,909	\$ -	\$ 17,332,286	21.65%
June 30, 2016	\$ 3,494,709	\$ 3,494,709	\$ -	\$ 16,827,462	20.77%
June 30, 2015	\$ 3,093,467	\$ 3,093,467	\$ -	\$ 16,022,954	19.31%

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

See Independent Auditors' Report.

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

**June 30, 2017
(Unaudited)
(Amounts Expressed in thousands)**

Other Post-Employment Benefits						
Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
06/30/17	\$ 108	\$ 118,541	\$ 118,433	0.09%	\$ 42,034	281.76%
06/30/15	\$ 53	\$ 98,333	\$ 98,280	0.05%	\$ 40,363	243.49%
06/30/13	\$ 50	\$ 97,441	\$ 97,391	0.05%	\$ 36,928	263.73%
01/01/11	\$ -	\$ 104,908	\$ 104,908	0.00%	\$ 37,667	278.51%
01/01/09	\$ -	\$ 96,116	\$ 96,116	0.00%	\$ 33,521	286.73%

See Independent Auditors' Report.

**TOWN OF EASTON, 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	\$ 2,516,055
Interest on unfunded liability - time value of \$	4,496,303
Benefit payments, including refunds of member contributions	<u>(3,415,322)</u>
Net change in total OPEB liability	3,597,036
Total OPEB liability - beginning	<u>119,077,304</u>
Total OPEB liability - ending (a)	<u>\$ 122,674,340</u>
 Plan fiduciary net position*	
Contributions - employer	\$ 3,075,801
Net investment income	3,309
Benefit payments, including refunds of member contributions	<u>(3,075,801)</u>
Net change in plan fiduciary net position	3,309
Plan fiduciary net position - beginning	<u>104,484</u>
Plan fiduciary net position - ending (b)	<u>\$ 107,793</u>
 Net OPEB liability (asset) - ending (a-b)	<u>\$ 122,566,547</u>

*Reflects certain rounding and immaterial classification differences from page 23.

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 EASTON, 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	\$ 122,674,640
Plan fiduciary net position	<u>107,793</u>
Net OPEB liability (asset)	<u>\$ 122,566,847</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.1%
Covered payroll	\$ 42,034,403
Participating employer net OPEB liability (asset) as a percentage of covered payroll	291.6%

Schedule of Contributions

	<u>2017</u>
Actuarially determined contribution	\$ 7,012,358
Contributions in relation to the actuarially determined contribution	<u>3,075,801</u>
Contribution deficiency (excess)	<u>\$ 3,936,557</u>
Covered payroll	\$ 42,034,403
Contributions as a percentage of covered payroll	7.3%

Schedule of Investment Returns

	<u>2017</u>
Annual money weighted rate of return, net of investment expense	0.00%

*Schedules are 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.