

TOWN OF TOWNSEND, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Townsend, 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 Townsend, Massachusetts, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Townsend, Massachusetts as of June 30, 2018, 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 55 to 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson Heath

May 10, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Townsend, Massachusetts (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018.

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. This report also contains other required supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all assets and deferred outflows of resources, and liabilities and deferred 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 Town's financial position is improving or deteriorating.

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

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

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 the 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 Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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.

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. The Town uses one enterprise fund to account for water operations, which is considered to be a major fund.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information

which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$32,580,552 (i.e., net position), a change of \$717,356 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$7,587,384, a change of \$2,563,478, or 51.03%, in comparison to the prior year, as further discussed on page 7.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,619,396, a change of \$455,449, or 21.05%, in comparison to the prior year, as further discussed on page 8.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years:

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017⁽¹⁾</u>	<u>2018</u>	<u>2017⁽¹⁾</u>	<u>2018</u>	<u>2017⁽¹⁾</u>
Assets						
Current and other assets	\$ 9,453,599	\$ 7,879,776	\$ 2,070,172	\$ 2,216,919	\$ 11,523,771	\$ 10,096,695
Capital assets	<u>30,448,620</u>	<u>29,587,476</u>	<u>4,273,947</u>	<u>4,296,164</u>	<u>34,722,567</u>	<u>33,883,640</u>
Total assets	39,902,219	37,467,252	6,344,119	6,513,083	46,246,338	43,980,335
Deferred outflows of resources	1,402,384	1,632,650	97,652	125,156	1,500,036	1,757,806
Liabilities						
Long-term liabilities	12,091,613	10,419,254	1,348,655	1,630,681	13,440,268	12,049,935
Other liabilities	<u>638,172</u>	<u>1,482,326</u>	<u>41,002</u>	<u>328,523</u>	<u>679,174</u>	<u>1,810,849</u>
Total liabilities	12,729,785	11,901,580	1,389,657	1,959,204	14,119,442	13,860,784
Deferred inflows of resources	978,261	459	68,119	35	1,046,380	494
Net position						
Net investment in capital assets	28,316,998	27,385,730	3,466,520	3,453,773	31,783,518	30,839,503
Restricted	3,165,300	2,786,854	-	-	3,165,300	2,786,854
Unrestricted	<u>(3,885,741)</u>	<u>(2,974,721)</u>	<u>1,517,475</u>	<u>1,225,227</u>	<u>(2,368,266)</u>	<u>(1,749,494)</u>
Total net position	<u>\$ 27,596,557</u>	<u>\$ 27,197,863</u>	<u>\$ 4,983,995</u>	<u>\$ 4,679,000</u>	<u>\$ 32,580,552</u>	<u>\$ 31,876,863</u>

⁽¹⁾ Fiscal year 2017 amounts were not restated as the Town applied GASB 75 prospectively.

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$32,580,552, a change of \$717,356 from the prior year, as reported on page 12.

The largest portion of net position, \$31,783,518, reflects our investment in capital assets (e.g., buildings and improvements, capital improvements (other than buildings), machinery, equipment, and furnishings, vehicles, library books, infrastructure, land, art and historical treasures, and construction in progress), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$3,165,300, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$(2,368,266), may be used to meet the Town's ongoing obligations to citizens and creditors. The deficit net position primarily results from recording the Town's net pension liability.

The following is a summary of condensed government-wide statement of changes in net position financial data for the current and prior fiscal years:

	<u>CHANGES IN NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017⁽¹⁾</u>	<u>2018</u>	<u>2017⁽¹⁾</u>	<u>2018</u>	<u>2017⁽¹⁾</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,445,919	\$ 1,350,142	\$ 1,046,226	\$ 1,168,967	\$ 2,492,145	\$ 2,519,109
Operating grants and contributions	402,634	365,987	-	-	402,634	365,987
Capital grants and contributions	505,755	585,304	-	-	505,755	585,304
General revenues:						
Property taxes	17,193,781	16,133,520	-	-	17,193,781	16,133,520
Excises	1,387,023	1,354,605	-	-	1,387,023	1,354,605
Penalties, interest, and other taxes	229,369	214,131	-	-	229,369	214,131
Grants and contributions not restricted to specific programs	1,623,847	1,496,494	-	-	1,623,847	1,496,494
Investment income	86,077	54,650	16,524	11,835	102,601	66,485
Miscellaneous	28,293	40,488	-	-	28,293	40,488
Total revenues	22,902,698	21,595,321	1,062,750	1,180,802	23,965,448	22,776,123
Expenses						
General government	2,637,538	2,539,555	-	-	2,637,538	2,539,555
Public safety	4,353,163	4,709,813	-	-	4,353,163	4,709,813
Education	12,036,331	10,888,235	-	-	12,036,331	10,888,235
Public works	1,589,061	1,688,150	-	-	1,589,061	1,688,150
Sanitation	667,179	649,175	-	-	667,179	649,175
Health and human services	409,684	410,230	-	-	409,684	410,230
Culture and recreation	571,119	499,945	-	-	571,119	499,945
Debt service interest	137,966	77,070	-	-	137,966	77,070
Intergovernmental	71,818	70,434	-	-	71,818	70,434
Water operations	-	-	774,233	839,882	774,233	839,882
Total expenses	22,473,859	21,532,607	774,233	839,882	23,248,092	22,372,489
Change in net position before transfers	428,839	62,714	288,517	340,920	717,356	403,634
Transfers in (out)	(16,478)	(22,104)	16,478	22,104	-	-
Change in net position	412,361	40,610	304,995	363,024	717,356	403,634
Net position - beginning of year, as restated	27,184,196	27,157,253	4,679,000	4,315,976	31,863,196	31,473,229
Net position - end of year	\$ 27,596,557	\$ 27,197,863	\$ 4,983,995	\$ 4,679,000	\$ 32,580,552	\$ 31,876,863

⁽¹⁾ Fiscal year 2017 amounts were not restated as the Town applied GASB 75 prospectively.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$412,361. Key elements of this change are as follows:

General fund operations	\$ (167,111)
Stabilization account activity	<u>311,006</u>
Subtotal general fund	143,895
Excess of current year depreciation expense over debt service principal payments	(850,461)
Capital assets funded by sources other than long-term debt	947,979
Other	<u>170,948</u>
Total	<u>\$ 412,361</u>

Business-type activities. Business-type activities (water fund) for the year resulted in a change in net position of \$304,995. The change in net position for business-type activities is largely attributable to the decrease in the associated net pension liability.

D. FINANCIAL ANALYSIS OF 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 the Town'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 \$7,587,384, a change of \$2,563,478, or 51.03%, in comparison to the prior year. Key elements of this change are as follows:

General fund operations	\$ (167,111)
Stabilization account activity	<u>311,006</u>
Subtotal general fund	143,895
Current year bond proceeds	2,825,000
Current year premiums received on bond issuance	239,390
Ambulance fund fees exceeding appropriations	95,270
Other nonmajor funds expenditures and transfers out exceeding revenues and transfers in	<u>(740,077)</u>
Total	<u>\$ 2,563,478</u>

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,619,396, while total fund balance was \$3,478,717. 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 as illustrated in the table below:

<u>General Fund</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 2,619,396	\$ 2,163,947	\$ 455,449	12.32%
Total fund balance	\$ 3,478,717	\$ 3,334,822	\$ 143,895	16.36%

The increase in the Town's June 30, 2018 unassigned fund balance from the prior year is largely attributable to both revenues and expenditures performing in excess and less than budgeted, respectively, as well as these amounts, in aggregate, exceeding the amount of free cash (fund balance) to be used to support current year operations.

The total fund balance of the general fund changed by \$143,895 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (763,316)
Revenues in excess of budget	402,141
Expenditures less than budget	610,813
Change in stabilization accounts	311,006
Expenditures of prior year encumbrances and special articles less than current year	<u>(416,749)</u>
Total	<u>\$ 143,895</u>

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

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
General stabilization	\$ 1,293,487	\$ 1,241,345	\$ 52,142
Capital stabilization	<u>383,026</u>	<u>124,162</u>	<u>258,864</u>
Total	<u>\$ 1,676,513</u>	<u>\$ 1,365,507</u>	<u>\$ 311,006</u>

The increase in the Town's June 30, 2018 stabilization fund balances from the prior year is due to funding the Town's stabilization funds for the following purposes:

- \$250,000 to supplement the capital stabilization fund
- \$30,000 to supplement the general stabilization fund

Both actions were approved at Town Meeting during the fiscal year. Additional activity is attributable to interest earnings related to the funds to be utilized in future periods.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,517,475, a change of \$292,248, in comparison to the prior year.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$444,316.

Significant budget increases were for the following purposes:

- \$250,000 to supplement the capital stabilization fund
- \$152,301 to offset the FY2018 snow and ice deficit
- \$42,015 for various Town budget line increases

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$34,722,567 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, capital improvements (other than buildings), machinery, equipment, and furnishings, vehicles, library books, infrastructure, land, art and historical treasures, and construction in progress.

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

Governmental activities:

- \$1,056,630 West Townsend fire station
- \$ 218,133 Reclaim and resurface Old Turnpike Road
- \$ 179,381 Communication Center equipment upgrades

Business-type activities:

- \$ 113,356 Total Water additions

Additional information on capital assets can be found in Note 8 of the Notes to Financial Statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$4,883,210, all of which was backed by the full faith and credit of the Town.

The Town is currently assigned an AA- rating from Standard and Poor's Investors Services for its general obligation debt.

Additional information on long-term debt can be found in Note 13 of the Notes to Financial Statements.

REQUESTS FOR INFORMATION

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

Town Administrator
Memorial Hall, Upper Level
272 Main Street
Townsend, Massachusetts 01469

TOWN OF TOWNSEND, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Current:			
Cash and short-term investments	\$ 5,084,138	\$ 918,464	\$ 6,002,602
Investments	2,510,525	856,615	3,367,140
Receivables, net of allowance for uncollectibles:			
Property taxes	278,747	-	278,747
Excises	162,228	-	162,228
User fees	-	295,093	295,093
Departmental and other	327,593	-	327,593
Intergovernmental	425,436	-	425,436
Other assets	49,277	-	49,277
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	615,655	-	615,655
Capital assets being depreciated, net	25,652,762	3,611,690	29,264,452
Capital assets not being depreciated	4,795,858	662,257	5,458,115
Deferred Outflows of Resources			
Related to pensions	1,402,384	97,652	1,500,036
Total Assets and Deferred Outflows of Resources	41,304,603	6,441,771	47,746,374
Liabilities			
Current:			
Warrants payable	301,063	13,279	314,342
Accrued liabilities	250,999	16,275	267,274
Unearned revenues	48,451	-	48,451
Other current liabilities	37,659	11,448	49,107
Current portion of long-term liabilities:			
Bonds payable	364,508	88,431	452,939
Landfill postclosure	20,000	-	20,000
Compensated absences	4,664	147	4,811
Capital leases	65,734	-	65,734
Noncurrent:			
Bonds payable, net of current portion	3,698,185	732,086	4,430,271
Landfill postclosure, net of current portion	326,000	-	326,000
Compensated absences, net of current portion	41,976	1,326	43,302
Net pension liability	7,563,431	526,665	8,090,096
Total OPEB liability	7,115	-	7,115
Deferred Inflows of Resources			
Related to pensions	978,261	68,119	1,046,380
Total Liabilities and Deferred Inflows of Resources	13,708,046	1,457,776	15,165,822
Net Position			
Net investment in capital assets	28,316,998	3,466,520	31,783,518
Restricted for:			
Grants and other statutory restrictions	2,710,239	-	2,710,239
Permanent funds:			
Nonexpendable	328,651	-	328,651
Expendable	126,410	-	126,410
Unrestricted	(3,885,741)	1,517,475	(2,368,266)
Total Net Position	\$ 27,596,557	\$ 4,983,995	\$ 32,580,552

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

TOWN OF TOWNSEND, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
General government	\$ 2,637,538	\$ 338,052	\$ 1,967	\$ -	\$ (2,297,519)	\$ -	\$ (2,297,519)
Public safety	4,353,163	1,018,169	241,709	-	(3,093,285)	-	(3,093,285)
Education	12,036,331	-	-	-	(12,036,331)	-	(12,036,331)
Public works	1,589,061	35,110	33,735	505,755	(1,014,461)	-	(1,014,461)
Sanitation	667,179	-	-	-	(667,179)	-	(667,179)
Health and human services	409,684	4,170	104,741	-	(300,773)	-	(300,773)
Culture and recreation	571,119	50,418	20,482	-	(500,219)	-	(500,219)
Debt service interest	137,966	-	-	-	(137,966)	-	(137,966)
Intergovernmental	71,818	-	-	-	(71,818)	-	(71,818)
Total governmental activities	22,473,859	1,445,919	402,634	505,755	(20,119,551)	-	(20,119,551)
Business-Type Activities							
Water operations	774,233	1,046,226	-	-	-	271,993	271,993
Total business-type activities	774,233	1,046,226	-	-	-	271,993	271,993
Total	\$ 23,248,092	\$ 2,492,145	\$ 402,634	\$ 505,755	(20,119,551)	271,993	(19,847,558)
General Revenues and Transfers:							
Property taxes					17,193,781	-	17,193,781
Excises					1,387,023	-	1,387,023
Penalties, interest, and other taxes					229,369	-	229,369
Grants and contributions not restricted to specific programs					1,623,847	-	1,623,847
Investment income					86,077	16,524	102,601
Miscellaneous					28,293	-	28,293
Transfers, net					(16,478)	16,478	-
Total general revenues and transfers					20,531,912	33,002	20,564,914
Change in net position					412,361	304,995	717,356
Net Position:							
Beginning of year, as restated					27,184,196	4,679,000	31,863,196
End of year					\$ 27,596,557	\$ 4,983,995	\$ 32,580,552

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

TOWN OF TOWNSEND, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	General Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and short-term investments	\$ 2,030,236	\$ 800,148	\$ 2,253,754	\$ 5,084,138
Investments	1,676,513	-	834,012	2,510,525
Receivables:				
Property taxes	1,008,274	-	-	1,008,274
Excises	229,269	-	-	229,269
Departmental and other	-	252,979	74,614	327,593
Intergovernmental	-	-	425,436	425,436
Other assets	-	-	49,277	49,277
Total assets	<u>\$ 4,944,292</u>	<u>\$ 1,053,127</u>	<u>\$ 3,637,093</u>	<u>\$ 9,634,512</u>
Liabilities				
Warrants payable	\$ 143,699	\$ -	\$ 157,364	\$ 301,063
Accrued liabilities	164,976	-	10,486	175,462
Unearned revenue	-	-	48,451	48,451
Other liabilities	-	-	37,659	37,659
Total liabilities	308,675	-	253,960	562,635
Deferred Inflows of Resources				
Unavailable revenues	1,156,900	252,979	74,614	1,484,493
Fund Balances				
Nonspendable	-	-	328,651	328,651
Restricted	858	800,148	2,923,619	3,724,625
Committed	802,139	-	63,791	865,930
Assigned	56,324	-	-	56,324
Unassigned	2,619,396	-	(7,542)	2,611,854
Total fund balances	<u>3,478,717</u>	<u>800,148</u>	<u>3,308,519</u>	<u>7,587,384</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,944,292</u>	<u>\$ 1,053,127</u>	<u>\$ 3,637,093</u>	<u>\$ 9,634,512</u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

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

JUNE 30, 2018

Total governmental fund balances	\$ 7,587,384
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	30,448,620
• Deferred outflows of resources related to pensions to be recognized as an increase to pension expense in future periods.	1,402,384
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,303,580
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(4,062,693)
Landfill postclosure	(346,000)
Compensated absences	(46,640)
Capital leases	(65,734)
Net pension liability	(7,563,431)
Total OPEB liability	(7,115)
• Deferred inflows of resources related to pensions to be recognized as a decrease to pension expense in future periods.	(978,261)
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	<u>(75,537)</u>
Net position of governmental activities	\$ <u>27,596,557</u>

TOWN OF TOWNSEND, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 17,294,783	\$ -	\$ -	\$ 17,294,783
Excises	1,374,926	-	-	1,374,926
Penalties, interest, and other taxes	229,369	-	-	229,369
Charges for services	165,081	437,122	601,535	1,203,738
Intergovernmental	1,645,692	-	886,544	2,532,236
Licenses and permits	193,160	-	-	193,160
Fines and forfeitures	20,781	-	-	20,781
Investment income	57,774	-	28,303	86,077
Miscellaneous	-	26,018	15,386	41,404
Total revenues	20,981,566	463,140	1,531,768	22,976,474
Expenditures				
Current:				
General government	1,639,696	-	167,322	1,807,018
Public safety	3,351,437	-	1,337,830	4,689,267
Education	12,036,331	-	-	12,036,331
Public works	1,012,898	-	520,096	1,532,994
Sanitation	667,179	-	-	667,179
Health and human services	247,118	-	77,219	324,337
Culture and recreation	347,803	-	99,313	447,116
Employee benefits	1,450,469	-	-	1,450,469
Debt service	434,379	-	-	434,379
Intergovernmental	71,818	-	-	71,818
Total expenditures	21,259,128	-	2,201,780	23,460,908
Excess (deficiency) of revenues over expenditures	(277,562)	463,140	(670,012)	(484,434)
Other Financing Sources (Uses)				
Issuance of:				
General obligation bonds	-	-	2,825,000	2,825,000
Refunding bonds	845,000	-	-	845,000
Payment to refunded escrow agent	(845,000)	-	-	(845,000)
Premium on issuance of:				
General obligation bonds	-	-	191,117	191,117
Refunding bonds	-	-	48,273	48,273
Transfers in	584,346	-	146,411	730,757
Transfers out	(162,889)	(367,870)	(216,476)	(747,235)
Total other financing sources (uses)	421,457	(367,870)	2,994,325	3,047,912
Change in fund balances	143,895	95,270	2,324,313	2,563,478
Fund Balance at Beginning of Year	3,334,822	704,878	984,206	5,023,906
Fund Balance at End of Year	\$ 3,478,717	\$ 800,148	\$ 3,308,519	\$ 7,587,384

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

TOWN OF TOWNSEND, 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, 2018

Net change in governmental fund balances	\$ 2,563,478																								
<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> <tr> <td>Capital outlay</td><td style="text-align: right;">2,110,743</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(1,249,599)</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 taxes, excises, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. <table> <tr> <td></td><td style="text-align: right;">(73,776)</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> <tr> <td>Issuance of general obligation and refunding bonds</td><td style="text-align: right;">(3,670,000)</td></tr> <tr> <td>Repayments of general obligation and refunding bonds</td><td style="text-align: right;">1,213,138</td></tr> <tr> <td>Premiums received from issuance of general obligation and refunding bonds</td><td style="text-align: right;">(239,390)</td></tr> <tr> <td>Repayments of capital lease</td><td style="text-align: right;">63,664</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. This amount represents the net change in accrued interest. <table> <tr> <td></td><td style="text-align: right;">(71,725)</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> <tr> <td>Change in landfill postclosure liability</td><td style="text-align: right;">20,000</td></tr> <tr> <td>Change in compensated absences</td><td style="text-align: right;">(4,240)</td></tr> <tr> <td>Change in net pension liability, net of related deferrals</td><td style="text-align: right;">(256,484)</td></tr> <tr> <td>Change in total OPEB liability</td><td style="text-align: right;">6,552</td></tr> </table> 	Capital outlay	2,110,743	Depreciation	(1,249,599)		(73,776)	Issuance of general obligation and refunding bonds	(3,670,000)	Repayments of general obligation and refunding bonds	1,213,138	Premiums received from issuance of general obligation and refunding bonds	(239,390)	Repayments of capital lease	63,664		(71,725)	Change in landfill postclosure liability	20,000	Change in compensated absences	(4,240)	Change in net pension liability, net of related deferrals	(256,484)	Change in total OPEB liability	6,552	
Capital outlay	2,110,743																								
Depreciation	(1,249,599)																								
	(73,776)																								
Issuance of general obligation and refunding bonds	(3,670,000)																								
Repayments of general obligation and refunding bonds	1,213,138																								
Premiums received from issuance of general obligation and refunding bonds	(239,390)																								
Repayments of capital lease	63,664																								
	(71,725)																								
Change in landfill postclosure liability	20,000																								
Change in compensated absences	(4,240)																								
Change in net pension liability, net of related deferrals	(256,484)																								
Change in total OPEB liability	6,552																								
Change in net position of governmental activities	\$ 412,361																								

TOWN OF TOWNSEND, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and Transfers In				
Property taxes	\$ 17,162,455	\$ 17,162,455	\$ 17,294,783	\$ 132,328
Excises	1,300,000	1,300,000	1,374,926	74,926
Penalties, interest, and other taxes	152,700	152,700	229,369	76,669
Charges for services	137,193	137,193	165,081	27,888
Intergovernmental	1,558,099	1,558,099	1,645,692	87,593
Licenses and permits	175,000	175,000	193,160	18,160
Fines and forfeitures	15,500	15,500	20,781	5,281
Investment income	10,000	10,000	26,768	16,768
Transfers in	861,671	817,671	780,199	(37,472)
Total revenues and transfers in	21,372,618	21,328,618	21,730,759	402,141
Expenditures and Transfers Out				
General government	1,643,379	1,742,049	1,577,253	164,796
Public safety	3,372,007	3,332,052	3,026,742	305,310
Education	12,036,331	12,036,331	12,036,331	-
Public works	822,785	980,635	988,813	(8,178)
Sanitation	669,284	669,284	667,179	2,105
Health and human services	302,963	305,776	247,118	58,658
Culture and recreation	346,406	373,477	347,803	25,674
Employee benefits	1,778,424	1,734,291	1,640,796	93,495
Debt service	484,108	476,108	450,857	25,251
Intergovernmental	71,818	71,818	71,818	-
Transfers out	120,113	370,113	426,411	(56,298)
Total expenditures and transfers out	21,647,618	22,091,934	21,481,121	610,813
Excess of revenues and transfers in over expenditures and transfers out	(275,000)	(763,316)	249,638	1,012,954
Other Financing Sources (Uses)				
Use of free cash:				
For capital stabilization funding	-	250,000	-	(250,000)
For funding of snow and ice deficit	-	152,301	-	(152,301)
For debt service	100,000	100,000	-	(100,000)
For capital improvements	175,000	225,000	-	(225,000)
Other departmental expenditures	-	36,015	-	(36,015)
Excess of revenues, transfers in and other sources over expenditures, transfers out and other uses	\$ -	\$ -	\$ 249,638	\$ 249,638

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

TOWN OF TOWNSEND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Water Enterprise Fund
Assets	
Current:	
Cash and short-term investments	\$ 918,464
Investments	856,615
User fees, net of allowance for uncollectibles	<u>295,093</u>
Total current assets	2,070,172
Noncurrent:	
Capital assets being depreciated, net	3,611,690
Capital assets not being depreciated	<u>662,257</u>
Total noncurrent assets	4,273,947
Deferred Outflows of Resources	
Related to pensions	<u>97,652</u>
Total Assets and Deferred Outflows of Resources	6,441,771
Liabilities	
Current:	
Warrants payable	13,279
Accrued liabilities	16,275
Other current liabilities	11,448
Current portion of long-term liabilities:	
Bonds payable	88,431
Compensated absences	<u>147</u>
Total current liabilities	129,580
Noncurrent:	
Bonds payable, net of current portion	732,086
Compensated absences, net of current portion	1,326
Net pension liability	<u>526,665</u>
Total noncurrent liabilities	1,260,077
Deferred Inflows of Resources	
Related to pensions	<u>68,119</u>
Total Liabilities and Deferred Inflows of Resources	1,457,776
Net Position	
Net investment in capital assets	3,466,520
Unrestricted	<u>1,517,475</u>
Total Net Position	<u>\$ 4,983,995</u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

	Water Enterprise <u>Fund</u>
Operating Revenues	
Charges for services	\$ 1,045,236
Other	990
Total operating revenues	<u>1,046,226</u>
Operating Expenses	
Salaries and benefits	311,937
Other operating expenses	242,067
Depreciation	<u>200,689</u>
Total operating expenses	<u>754,693</u>
Operating income	291,533
Nonoperating Revenues (Expenses)	
Investment income	16,524
Interest expense	<u>(19,540)</u>
Total nonoperating revenues (expenses), net	<u>(3,016)</u>
Income before transfers	288,517
Transfers	
Transfers in	<u>16,478</u>
Change in net position	304,995
Net Position at Beginning of Year	<u>4,679,000</u>
Net Position at End of Year	<u><u>\$ 4,983,995</u></u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

	Water Enterprise Fund
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 1,067,835
Payments to vendors and employees	<u>(871,068)</u>
Net cash provided by operating activities	196,767
Cash Flows From Noncapital Financing Activities	
Transfers in	<u>16,478</u>
Net cash provided by noncapital financing activities	16,478
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(178,472)
Principal payments on bonds	(156,080)
Interest expense	<u>(20,355)</u>
Net cash (used for) capital and related financing activities	(354,907)
Cash Flows From Investing Activities	
Investment income	16,524
Investment redemptions	<u>182,982</u>
Net cash provided by investing activities	199,506
Net change in cash and short-term investments	57,844
Cash and Short-Term Investments, Beginning of Year	<u>860,620</u>
Cash and Short-Term Investments, End of Year	<u><u>\$ 918,464</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 291,533
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	200,689
Changes in assets, liabilities, and deferred outflows/inflows:	
User fees	21,609
Deferred outflows of resources related to pensions	27,504
Warrants payable	(286,663)
Accrued liabilities	(165)
Net pension liability	(126,080)
Deferred inflows of resources related to pensions	68,084
Compensated absences	134
Other liabilities	<u>122</u>
Net cash provided by operating activities	<u><u>\$ 196,767</u></u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	Private Purpose <u>Trust Fund</u>	Agency <u>Funds</u>
Assets		
Cash and short-term investments	\$ -	\$ 246,005
Investments	<u>144,099</u>	<u>-</u>
Total assets	144,099	246,005
Liabilities		
Warrants payable	-	258
Other liabilities	<u>-</u>	<u>245,747</u>
Total liabilities	<u>-</u>	<u>\$ 246,005</u>
Net Position		
Restricted for other purposes	<u>144,099</u>	
Total net position	<u>\$ 144,099</u>	

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

TOWN OF TOWNSEND, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Private Purpose Trust Fund</u>
Additions	
Interest income	\$ 5,067
Deductions	
Health and human services	<u>3,743</u>
Net increase	1,324
Net position	
Beginning of year	<u>142,775</u>
End of year	<u>\$ 144,099</u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Townsend, Massachusetts (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 Town is considered to be financially accountable. In fiscal year 2018, 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 Town. 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. Revenue from grants, entitlements, and donations is recognized when all eligibility requirements have been satisfied and they are measurable and available. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, pension, and OPEB 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 *Ambulance Fund* accumulates the Town's receipts for ambulance services. The receipts of the ambulance fund are used to replenish the general fund for operating expenditures related to the Emergency Medical Services (EMS) department incurred throughout

the fiscal year. As such, these funds are reserved for appropriation by Town Meeting votes.

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 recognized 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 water supply and distribution.

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

The Town reports the following fiduciary funds:

- The *Private-Purpose Trust Fund* is used to account for trust arrangements, other than those properly reported in permanent funds, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Agency Funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. This fund is primarily used for performance deposits and payroll withholdings. Agency funds report only assets and liabilities and, therefore, have no measurement focus.

D. Cash and Short-Term Investments

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

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

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

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase. Municipalities having such funds in the custody of the treasurer in an aggregate amount in excess of two hundred and fifty thousand dollars may also invest such funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the commonwealth; provided, that not more than fifteen percent of any such trust funds shall be invested in bank stocks and insurance company stocks, nor shall more than one and one-half percent of such funds be invested in the stock of any one bank or insurance company.

Investments consist of marketable securities, bonds, short-term money market investments, and corporate equities. Investments are carried at fair value, except certificates of deposit which are reported at cost.

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 2018 tax levy reflected an excess capacity of \$20,322.

G. Capital Assets

Capital assets, which include buildings and improvements, capital improvements (other than buildings), machinery, equipment, and furnishings, vehicles, library books, infrastructure, land, art and historical treasures, and construction in progress, are reported in the applicable

governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government using the following thresholds:

<u>Assets</u>	<u>Value Amount</u>	<u>Estimated Useful Life</u>
Buildings	\$ 50,000	40
Building improvements	\$ 25,000	20
Infrastructure	\$ 150,000	5 - 40
Machinery and equipment	\$ 25,000	3 - 10
Vehicles	\$ 5,000	5
Library books	\$ 5,000	10
Software	\$ 5,000	3
Land	\$ 25,000	N/A
Land improvements	\$ 5,000	N/A
Works of art and historical treasures	\$ 2,500	N/A

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 estimated useful lives noted above.

H. Compensated Absences

It is the Town's policy to permit certain employees to accumulate earned but unused vacation benefits. All vested vacation pay for those employees is accrued when incurred in the government-wide 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. Earned but unused sick leave balances may be carried from one year to the next; however, these balances are not reimbursable upon resignation or termination of employment.

I. Long-Term Obligations

In the government-wide financial statements and proprietary funds 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.

The general fund and applicable enterprise fund typically repay these obligations.

J. Fund Equity

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

Fund Balance - Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. 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 which 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 and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and

expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 20,981,566	\$ 21,259,128
Other financing sources/uses (GAAP Basis)	<u>584,346</u>	<u>162,889</u>
Subtotal (GAAP Basis)	21,565,912	21,422,017
Reverse beginning-of-year appropriation carryforwards from expenditures	-	(550,619)
Add end-of-year appropriation carryforwards to expenditures	-	133,870
Reclass enterprise fund indirect cost reimbursement to budgetary basis	195,853	195,853
Reverse the effect of non-budgeted stabilization activity:		
Interest income	(31,006)	-
Transfers	<u>-</u>	<u>280,000</u>
Budgetary Basis	<u>\$ 21,730,759</u>	<u>\$ 21,481,121</u>

D. Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2018.

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

3. Cash and Short-Term Investments

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

As of June 30, 2018, \$729,299 of the Town's bank balance of \$9,910,666 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Investment Summary

The Town's investments at June 30, 2018 are presented below:

<u>Investment Type</u>	<u>Fair Value</u>
Market-linked certificates of deposit	\$ 1,783,172
Corporate bonds	496,992
Federal agency securities	477,232
U.S. Treasury notes	373,256
Corporate equities	249,619
Mutual funds	130,968
Total investments	<u>\$ 3,511,239</u>

B. 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). The Town does not have policies related to credit risk.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year-end</u>		
		<u>A</u>	<u>BBB</u>	<u>Unrated</u>
Market-linked certificates of deposit	\$ 1,783,172	\$ -	\$ -	\$ 1,783,172
Corporate bonds	496,992	196,345	300,647	-
Mutual funds	130,968	-	-	130,968
Total	<u>\$ 2,411,132</u>	<u>\$ 196,345</u>	<u>\$ 300,647</u>	<u>\$ 1,914,140</u>

C. 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 related to 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 custodial credit risk by investing in counter-party's that participate in the Securities Investor Protection Corporation (SIPC) and excess SIPC coverages.

D. Concentration of Credit Risk

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

<u>Investment Issuer</u>	<u>Investment Type</u>	<u>Amount</u>	<u>% of Total Investments</u>
Bank of Baroda	Market-linked certificate of deposit	\$ 244,961	6.98%
Bank of Baroda	Market-linked certificate of deposit	244,907	6.97%
Total		<u>\$ 489,868</u>	

E. 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 formal investment policies that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information regarding the quality and maturity of the Town's fixed income securities is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Debt-related Securities:			
Market-linked certificates of deposit	\$ 1,783,172	\$ 1,043,368	\$ 739,804
Corporate bonds	496,992	80,167	416,825
Federal agency securities	477,232	-	477,232
U.S. Treasury notes	373,256	373,256	-
Mutual funds	130,968	130,968	-
Total	<u>\$ 3,261,620</u>	<u>\$ 1,627,759</u>	<u>\$ 1,633,861</u>

F. 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 related to foreign currency risk.

G. 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. The fair value hierarchy categorized the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for an asset either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.
- Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The Town has the following fair value measurements as of June 30, 2018:

<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:				
Market-linked certificates of deposit	\$ 1,783,172	\$ -	\$ 1,783,172	\$ -
Corporate bonds	496,992	-	496,992	-
Federal agency securities	477,232	477,232	-	-
U.S. Treasury notes	373,256	-	373,256	-
Corporate equities	249,619	249,619	-	-
Mutual funds	130,968	-	130,968	-
Total investments at fair value	\$ 3,511,239	\$ 726,851	\$ 2,784,388	\$ -

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Town's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Federal agency securities and corporate equities classified in Level 1 are valued using prices quoted in active markets for those securities.

Market-linked certificates of deposit, corporate bonds, U.S. Treasury notes, and mutual funds classified in Level 2 are valued using standard inputs consisting of benchmark yields, reportable trades, benchmark securities (where available), and reference data including market research publications.

5. Property Taxes and Excises Receivable

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

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

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

Property taxes and motor vehicle excise receivables at June 30, 2018 consist of the following:

<u>Receivables</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 315,469	\$ (39,464)	\$ 276,005
Personal property taxes	8,226	(5,950)	2,276
Tax liens	684,061	(68,406)	615,655
Deferred taxes	518	(52)	466
Total property taxes	<u>\$ 1,008,274</u>	<u>\$ (113,872)</u>	894,402
Less: non-current portion			<u>(615,655)</u>
Total current taxes receivable			<u>\$ 278,747</u>
Excises	\$ 229,269	\$ (67,041)	\$ 162,228

6. User Fees Receivables

Water user charges are based on meter readings that are done by the Townsend Water Department at the end of each quarter – March, June, September, and December – and are billed in the months following the meter readings. An overdue notice will be sent to water users whose bill remains outstanding by the end of the month in which the first bill is rendered. A demand charge of \$2 per unit will be added to the original bill, plus 1.5% interest. If the bill remains outstanding for 15 days following the overdue notice, the Water Commissioners may order the Superintendent to shut off the water service following Sec IIA, Chapter 165 of the Massachusetts General Laws. The water service will remain shut off until such time that the total outstanding bill is paid, plus an additional turn-on fee of \$35.

All outstanding balances of accumulated water charges plus demands and interest with no payments for more than three billing periods constitute a lien on the property, and may be turned over to the tax collector for collection.

Water service connection fees are charged for each new service tapped into the main. The charge covers the costs of digging, tapping the main, laying the standard water lines, and installation of a standard water meter. If larger services or meters are required, additional charges will be rendered.

Receivables for water user charges, water liens, and other water fees at June 30, 2018 consist of the following:

<u>Receivables</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Water user charges	\$ 313,366	\$ (31,337)	\$ 282,029
Water liens	12,642	(3,793)	8,849
Other	8,431	(4,216)	4,215
Total	<u>\$ 334,439</u>	<u>\$ (39,346)</u>	<u>\$ 295,093</u>

7. Interfund Transfers In/Out

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 fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2018:

	<u>Transfers In</u>	<u>Transfers Out</u>					
Governmental Funds							
General fund	\$ 584,346	\$ 162,889	(1)	(2)	(3)	(4)	(5)
Nonmajor Governmental Funds							
Ambulance receipts reserved	-	367,870	(1)				
Cable access	-	125,000	(1)				
Title V betterments	-	27,538	(1)				
Wetlands protection	-	5,721	(1)				
Cemetery sale of lots	-	5,000	(1)				
Cemetery sale of lots	26,298	-	(4)				
WTRR receipts reserved	-	2,900	(1)				
PSAP training/equipment grant	18,793	-	(5)				
Body armor matching federal grant	1,320	-	(5)				
Recreation revolving	-	14,317	(1)				
School resource officer revolving	-	36,000	(1)				
Capital project funds	100,000	-	(2)				
Proprietary Funds							
Water	16,478	-	(3)				
Total	<u>\$ 747,235</u>	<u>\$ 747,235</u>					

(1) Transfers from receipts reserved for appropriations accounts to the general fund for capital improvements and operating budget.

(2) Transfer for BAN paydown related to various capital projects.

(3) Transfer to Water fund for principal debt service.

(4) Transfer the balance of the Cemetery Improvement Fund to the Cemetery Sale of Lots Fund.

(5) Transfer to fund prior year deficits.

8. Capital Assets

Capital asset activity for the year ended June 30, 2018 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	\$ 22,905,288	\$ 28,617	\$ -	\$ 22,933,905
Capital improvements (other than buildings)	713,535	-	-	713,535
Machinery, equipment, and furnishings	5,425,661	425,145	-	5,850,806
Vehicles	1,366,858	54,514	(22,221)	1,399,151
Library books	520,003	-	-	520,003
Infrastructure	12,160,643	545,837	-	12,706,480
Total capital assets, being depreciated	43,091,988	1,054,113	(22,221)	44,123,880
Less accumulated depreciation for:				
Buildings and improvements	(6,139,433)	(579,380)	-	(6,718,813)
Capital improvements (other than buildings)	(380,793)	(26,285)	-	(407,078)
Machinery, equipment, and furnishings	(4,442,261)	(262,539)	-	(4,704,800)
Vehicles	(1,047,161)	(97,266)	22,221	(1,122,206)
Library books	(454,464)	(20,992)	-	(475,456)
Infrastructure	(4,779,628)	(263,137)	-	(5,042,765)
Total accumulated depreciation	(17,243,740)	(1,249,599)	22,221	(18,471,118)
Total capital assets, being depreciated, net	25,848,248	(195,486)	-	25,652,762
Capital assets, not being depreciated:				
Land	3,543,441	-	-	3,543,441
Art and historical treasures	55,200	-	-	55,200
Construction in progress	140,587	1,056,630	-	1,197,217
Total capital assets, not being depreciated	3,739,228	1,056,630	-	4,795,858
Governmental activities capital assets, net	\$ 29,587,476	\$ 861,144	\$ -	\$ 30,448,620
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,693,463	\$ -	\$ -	\$ 1,693,463
Capital improvements (other than buildings)	693,836	-	-	693,836
Machinery, equipment, and furnishings	695,953	469,824	-	1,165,777
Vehicles	134,986	-	-	134,986
Infrastructure	2,295,164	107,841	-	2,403,005
Total capital assets, being depreciated	5,513,402	577,665	-	6,091,067
Less accumulated depreciation for:				
Buildings and improvements	(512,547)	(39,512)	-	(552,059)
Capital improvements (other than buildings)	(370,451)	(13,648)	-	(384,099)
Machinery, equipment, and furnishings	(365,047)	(89,327)	-	(454,374)
Vehicles	(111,317)	(10,698)	-	(122,015)
Infrastructure	(919,326)	(47,504)	-	(966,830)
Total accumulated depreciation	(2,278,688)	(200,689)	-	(2,479,377)
Total capital assets, being depreciated, net	3,234,714	376,976	-	3,611,690
Capital assets, not being depreciated:				
Land	662,257	-	-	662,257
Construction in progress	399,193	65,116	(464,309)	-
Total capital assets, not being depreciated	1,061,450	65,116	(464,309)	662,257
Business-type activities capital assets, net	\$ 4,296,164	\$ 442,092	\$ (464,309)	\$ 4,273,947

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

Governmental Activities

General government	\$ 443,924
Public safety	357,123
Public works	426,966
Culture and recreation	<u>21,586</u>
Total depreciation expense - governmental activities	<u>\$ 1,249,599</u>

Business-Type Activities

Water	\$ 200,689
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9. Deferred Outflows of Resources

In addition to assets, the basic financial statements include a separate element for 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 Statements No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68) are more fully discussed in the corresponding pension notes.

10. Warrants Payable

Warrants payable represent fiscal year 2018 expenditures paid by July 15, 2018.

11. Accrued Liabilities

Accrued liabilities represent fiscal year 2018 expenditures paid after July 15, 2018.

12. Notes Payable

A. Changes in Notes Payable

The following summarizes activity in notes payable during fiscal year 2018:

	Interest Rate	Date of Issue	Date of Maturity	Beginning Balance at 6/30/2017	New Issues	Maturities	Ending Balance at 6/30/18
Governmental Activities							
Capital improvements	1.25%	05/01/17	12/01/17	\$ 530,000	\$ -	\$ (530,000)	\$ -
American legion	1.25%	05/01/17	12/01/17	159,000	-	(159,000)	-
Fire substation	1.25%	05/01/17	12/01/17	200,000	-	(200,000)	-
Total				<u>\$ 889,000</u>	<u>\$ -</u>	<u>\$ (889,000)</u>	<u>\$ -</u>

B. Bond Anticipation Note Authorizations

Short-term debt authorizations which have not been issued or rescinded as of June 30, 2018 are as follows:

<u>Purpose</u>	<u>Amount</u>
Water Main Replacement	\$ 981,200

13. 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 6/30/18</u>
Title V - Water pollution	08/01/19	5.38 - 5.50%	\$ 21,566
Title V	08/01/22	5.00 - 5.25%	36,488
Refunding	02/01/24	2.00 - 5.00%	845,000
Title V	07/15/27	0.00%	95,249
Fire sub-station	02/01/38	2.00 - 5.00%	1,746,000
Fire truck	02/01/38	2.00 - 5.00%	490,000
Capital improvements	02/01/38	2.00 - 5.00%	430,000
Land acquisition	02/01/38	2.00 - 5.00%	159,000
Total governmental activities			<u>\$ 3,823,303</u>

<u>Business-Type Activities</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s)</u>	<u>Amount Outstanding as of 6/30/18</u>
Water pumping station	07/15/25	2.00%	\$ 313,271
Water improvements - East Side	07/15/26	2.00%	507,246
Total business-type activities			<u>\$ 820,517</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2018 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 352,538	\$ 147,441	\$ 499,979
2020	362,538	112,479	475,017
2021	351,755	101,771	453,526
2022	336,924	94,705	431,629
2023	271,924	87,935	359,859
2024	264,525	75,000	339,525
2025	174,525	62,250	236,775
2026	169,525	54,000	223,525
2027	169,525	46,000	215,525
2028	169,524	41,600	211,124
2029 - 2033	600,000	150,000	750,000
2034 - 2038	600,000	58,200	658,200
Total	<u>\$ 3,823,303</u>	<u>\$ 1,031,381</u>	<u>\$ 4,854,684</u>

The water enterprise fund has been designated as the source to repay the following long-term debt outstanding as of June 30, 2018:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 88,431	\$ 15,526	\$ 103,957
2020	90,217	13,740	103,957
2021	92,040	11,917	103,957
2022	93,900	10,057	103,957
2023	95,796	8,160	103,956
2024	97,732	6,225	103,957
2025	99,706	4,251	103,957
2026	101,720	2,237	103,957
2027	60,975	610	61,585
Total	<u>\$ 820,517</u>	<u>\$ 72,723</u>	<u>\$ 893,240</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Total Balance 7/1/17	Additions	Reductions	Total Balance 6/30/18	Less Current Portion	Equals Long-Term Portion 6/30/18
Governmental Activities						
Bonds payable	\$ 1,366,441	\$ 3,670,000	\$ (1,213,138)	\$ 3,823,303	\$ (352,538)	\$ 3,470,765
Unamortized bond premiums	-	239,390	-	239,390	(11,970)	227,420
Total bonds payable	1,366,441	3,909,390	(1,213,138)	4,062,693	(364,508)	3,698,185
Landfill postclosure	366,000	-	(20,000)	346,000	(20,000)	326,000
Compensated absences	42,400	4,962	(722)	46,640	(4,664)	41,976
Capital leases	129,398	-	(63,664)	65,734	(65,734)	-
Net pension liability	8,515,015	-	(951,584)	7,563,431	-	7,563,431
Total OPEB liability ⁽¹⁾	13,667	-	(6,552)	7,115	-	7,115
Total governmental activities	\$ 10,432,921	\$ 3,914,352	\$ (2,255,660)	\$ 12,091,613	\$ (454,906)	\$ 11,636,707

⁽¹⁾ As restated for implementation of GASB 75.

	Total Balance 7/1/17	Additions	Reductions	Total Balance 6/30/18	Less Current Portion	Equals Long-Term Portion 6/30/18
Business-Type Activities						
Bonds payable	\$ 976,597	\$ -	\$ (156,080)	\$ 820,517	\$ (88,431)	\$ 732,086
Compensated absences	1,339	167	(33)	1,473	(147)	1,326
Net pension liability	652,745	-	(126,080)	526,665	-	526,665
Total business-type activities	\$ 1,630,681	\$ 167	\$ (282,193)	\$ 1,348,655	\$ (88,578)	\$ 1,260,077

14. Landfill Closure and Postclosure Care Costs

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

The \$346,000 reported as landfill postclosure care liability at June 30, 2018 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in fiscal year 2018. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

15. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in fiscal year 2019. Future minimum lease payments under the capital leases under obligation consisted of the following as of June 30, 2018:

<u>Fiscal Year</u>	<u>Present Value of Minimum Lease Payments</u>	<u>Interest Payments</u>	<u>Total Lease Payments</u>
2019	\$ 65,734	\$ 2,136	\$ 67,870

16. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The Town reports two items as deferred inflows of resources: (1) which is attributable to the changes in the Town's net pension liability and (2) the other which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds.

Deferred inflows of resources related to pension will be recognized as a reduction to pension expense in future years and is more fully described in the corresponding pension notes.

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.

The following is a summary of unavailable revenue balances as of June 30, 2018:

	<u>Governmental Funds</u>		
	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Nonmajor Funds</u>
Unavailable revenues:			
Property taxes	\$ 927,632	\$ -	\$ -
Excises	229,268	-	-
Title V	-	-	74,614
Ambulance revenue	-	252,979	-
Total	<u>\$ 1,156,900</u>	<u>\$ 252,979</u>	<u>\$ 74,614</u>

17. Governmental Funds - Balances

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

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

The following types of fund balances are reported at June 30, 2018:

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 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 funds set aside in the general fund for future debt service, various special revenue funds, capital project 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 funds set aside in the Town's capital stabilization fund and non-lapsing special article appropriations approved at Town Meeting. A similar action is needed to modify or rescind a commitment.

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 in the subsequent budgetary period.

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

Following is a breakdown of the Town's fund balances at June 30, 2018:

	General Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Permanent funds	\$ -	\$ -	\$ 328,651	\$ 328,651
Total nonspendable	-	-	328,651	328,651
Restricted				
For debt service	858	-	-	858
Capital projects	-	-	1,214,711	1,214,711
Ambulance	-	800,148	-	800,148
Cablevision access receipts reserved	-	-	464,614	464,614
Septic Title V revolving fund	-	-	224,887	224,887
Capital premium bond proceeds	-	-	140,500	140,500
Law enforcement grant	-	-	76,051	76,051
EPS police grant	-	-	65,266	65,266
Inspectional revolving fund	-	-	57,628	57,628
Green communities grant	-	-	49,924	49,924
Recreation revolving fund	-	-	49,315	49,315
CDBG program income	-	-	42,087	42,087
Solid waste revolving fund	-	-	41,813	41,813
Cemetery sale of lots fund	-	-	39,963	39,963
Cemetery revolving fund	-	-	35,099	35,099
Other special revenue funds	-	-	295,351	295,351
Permanent funds	-	-	126,410	126,410
Total restricted	858	800,148	2,923,619	3,724,625
Committed				
Capital stabilization accounts	383,026	-	-	383,026
For continuing appropriations:				
General government	92,760	-	-	92,760
Public safety	58,285	-	-	58,285
Public works	237,574	-	63,791	301,365
Culture and recreation	26,000	-	-	26,000
Employee benefits	4,494	-	-	4,494
Total committed	802,139	-	63,791	865,930
Assigned				
Encumbered for:				
General government	21,953	-	-	21,953
Public safety	24,996	-	-	24,996
Public works	4,515	-	-	4,515
Employee benefits	4,860	-	-	4,860
Total assigned	56,324	-	-	56,324
Unassigned				
General operating fund	1,325,909	-	-	1,325,909
General stabilization	1,293,487	-	-	1,293,487
Deficit balances	-	-	(7,542)	(7,542)
Total unassigned	2,619,396	-	(7,542)	2,611,854
Total Fund Balances	\$ 3,478,717	\$ 800,148	\$ 3,308,519	\$ 7,587,384

18. Middlesex 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* (GASB 68), with respect to the employees' retirement funds.

A. Plan Description

Substantially all employees of the Town are members of the Middlesex 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's 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 25 Linnell Circle, Billerica, Massachusetts 01865.

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-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 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

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

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years' creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

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

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 3.00%.

Participant 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. 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%
1979 - present	Additional 2.00% of salary in excess of \$30,000
Group 1 members hired on or after April 2, 2012	6.00% with 30 or more years of credible service

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, 2018 was \$764,434, 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, 2018, the Town reported a liability of \$8,090,096 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2017, the Town's proportion was 0.570052%.

For the year ended June 30, 2018, the Town recognized pension expense of \$990,420. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,282	\$ (41,315)
Changes of assumptions	773,316	
Net difference between projected and actual investment earnings on pension plan investments		(219,742)
Changes in proportion and differences between employer contributions and proportionate share of contributions	699,438	(785,323)
Total	<u>\$ 1,500,036</u>	<u>\$ (1,046,380)</u>

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

<u>Year ended June 30:</u>	
2019	\$ 266,163
2020	260,383
2021	112,683
2022	<u>(185,573)</u>
Total	<u>\$ 453,656</u>

D. Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	December 31, 2017
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.50%
Inflation rate	3.25%
Projected salary increases	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2, and 4.50% for Group 4
Post-retirement cost-of-living adjustment	3.00% on the first \$14,000

Mortality rates were based on:

- Pre-Retirement: RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017 (previously, RP-2000 Employee Mortality Table projected generationally from 2009 with Scale BB2D)
- Healthy Retiree: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017 (previously, RP-2000 Healthy Annuitant Mortality Table projected generationally from 2009 with Scale BB2D)
- Disabled Retiree: RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017 (previously, RP-2000 Healthy Annuitant Mortality Table projected generationally from 2015 with Scale BB2D)

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 Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	17.50%	6.15%
International developed markets equity	15.50%	7.11%
Hedge funds	13.00%	3.94%
Core fixed income	12.00%	1.68%
Private equity	12.00%	10.28%
Real estate	10.00%	4.90%
High-yield fixed income	10.00%	4.13%
International emerging markets equity	6.00%	9.41%
Commodities	4.00%	4.71%
Total	<u>100.00%</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 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 7.50%, 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 one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the current rate:

1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
\$ 9,929,236	\$ 8,090,096	\$ 6,539,447

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.

19. Other Post-Employment Benefits (GASB 75)

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 75). The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2018.

A. General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for the retired Police Chief through the Town's plan. The Town provides health insurance coverage through Blue Cross Blue Shield. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. The OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

Benefits Provided

The Town provides medical and prescription drug insurance to the retired Police Chief and his covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

Plan Membership

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	<u>1</u>
Total	<u><u>1</u></u>

The following table categorizes the three classes of membership in the plan:

Group 1	General employees, including clerical, administrative, technical and all other employees not otherwise classified.
Group 2	Certain specified hazardous duty positions.
Group 4	Police officers, firefighters, and other specified hazardous positions.

B. Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal
Inflation	4.50%
Discount rate	3.75%
Retirees' share of benefit-related costs	50.00%

The discount rate was based on the long-term expectation of investment returns on high quality municipal bonds at June 30, 2018.

Mortality rates were based on:

- Pre-retirement and beneficiaries: RP-2014 Blue Collar Mortality with Scale MP-2015 fully generational.
- Retired members for Group 1 and 2: RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational.
- Retired members for Group 4: RP-2014 Blue Collar Mortality Table set forward three years for males and six years for females, fully generational.
- Disabled members for Group 1 and 2: RP-2000 Mortality Table set forward six years.
- Disabled members for Group 4: RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2015.

C. 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 members will be made at the current contribution rate.

D. Total OPEB Liability

The Town's total OPEB liability of \$7,115 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018.

E. Changes in the Total OPEB Liability

	Total OPEB <u>Liability</u>
Balances, beginning of year	\$ 13,667
Changes for the year:	
Interest	384
Benefit payments	<u>(6,936)</u>
Net Changes	<u>(6,552)</u>
Balances, end of year	<u><u>\$ 7,115</u></u>

F. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1% Decrease</u> <u>(2.75%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(3.75%)</u>	<u>1% Increase</u> <u>(4.75%)</u>
\$ 7,150	\$ 7,115	\$ 7,081

G. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current</u> <u>Healthcare</u> <u>Cost Trend</u> <u>Rates</u>	<u>1% Increase</u>
\$ 7,081	\$ 7,115	\$ 7,150

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized an OPEB expense of \$6,552. At June 30, 2018, the Town did not report any deferred outflows and inflows of resources related to OPEB.

20. Commitments and Contingencies

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

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

21. Subsequent Events

Issuance of short-term debt:

Subsequent to June 30, 2018, the Town has incurred the following additional debt:

<u>Business-type Activities</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u>
Bond Anticipation Note - Water Mains	2.45%	07/19/18	05/01/19	\$ 981,200

22. Beginning Net Position Restatement

The beginning (July 1, 2017) net position of the Town has been restated as follows:

Government-Wide Financial Statements:

	<u>Governmental Activities</u>
As previously reported	\$ 27,197,863
Implementation of GASB 75 (OPEB)	<u>(13,667)</u>
As restated	<u>\$ 27,184,196</u>

TOWN OF TOWNSEND, MASSACHUSETTS
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018
(Unaudited)

Middlesex County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2018	December 31, 2017	0.570052%	\$ 8,090,096	\$ 3,057,294	264.62%	49.27%
June 30, 2017	December 31, 2016	0.647040%	\$ 9,167,760	\$ 2,866,064	319.87%	45.49%
June 30, 2016	December 31, 2015	0.579497%	\$ 7,475,618	\$ 2,998,738	249.29%	46.13%
June 30, 2015	December 31, 2014	0.561285%	\$ 6,742,808	\$ 2,883,402	233.85%	47.65%

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

See Independent Auditors' Report.

TOWN OF TOWNSEND, MASSACHUSETTS
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018
(Unaudited)

<u>Middlesex County Retirement System</u>					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	\$ 764,434	\$ 764,434	\$ -	\$ 3,057,294	25.00%
June 30, 2017	\$ 690,007	\$ 690,007	\$ -	\$ 2,866,064	24.08%
June 30, 2016	\$ 650,040	\$ 650,040	\$ -	\$ 2,998,738	21.68%
June 30, 2015	\$ 673,724	\$ 673,724	\$ -	\$ 2,883,402	23.37%

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

See Independent Auditors' Report.

TOWN OF TOWNSEND, MASSACHUSETTS
SCHEDULES OF CHANGES IN THE TOTAL OPEB LIABILITY AND CONTRIBUTIONS (GASB 75)
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018
(Unaudited)

Changes in Total OPEB Liability

	<u>2018</u>
Total OPEB liability	
Interest on unfunded liability - time value of money	\$ 384
Benefit payments, including refunds of member contributions	<u>(6,936)</u>
Net change in total OPEB liability	(6,552)
Total OPEB liability - beginning	<u>13,667</u>
Total OPEB liability - ending (a)	<u><u>\$ 7,115</u></u>

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

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

See Independent Auditors' Report.