

TOWN OF ACUSHNET, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2018

Town of Acushnet, Massachusetts

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Acushnet, 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 Acushnet, 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 Acushnet, 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 53 to 55 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

March 22, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Acushnet, Massachusetts, 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 comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of

spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$31,053,580 (i.e., net position), a change of \$616,766 in comparison to the prior year.
- As of the close of the current fiscal year, governmental activities reported unrestricted net position of \$12,767,501, a change of \$797,235, in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,773,017, a change of \$366,684 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current assets	\$ 16,187	\$ 16,002	\$ 2,851	\$ 2,838	\$ 19,038	\$ 18,840
Capital assets	<u>39,572</u>	<u>40,070</u>	<u>11,615</u>	<u>11,432</u>	<u>51,187</u>	<u>51,502</u>
Total assets	55,759	56,072	14,466	14,270	70,225	70,342
Deferred outflows of resources	1,220	1,812	-	-	1,220	1,812
Current liabilities	2,585	3,053	826	837	3,411	3,890
Noncurrent liabilities	<u>31,668</u>	<u>22,741</u>	<u>4,496</u>	<u>4,888</u>	<u>36,164</u>	<u>27,629</u>
Total liabilities	34,253	25,794	5,322	5,725	39,575	31,519
Deferred inflows of resources	817	270	-	-	817	270
Net position:						
Net investment in capital assets	30,405	30,828	5,329	4,724	35,734	35,552
Restricted	1,780	1,615	-	-	1,780	1,615
Unrestricted	<u>(10,276)</u>	<u>(623)</u>	<u>3,815</u>	<u>3,821</u>	<u>(6,461)</u>	<u>3,198</u>
Total net position	<u>\$ 21,909</u>	<u>\$ 31,820</u>	<u>\$ 9,144</u>	<u>\$ 8,545</u>	<u>\$ 31,053</u>	<u>\$ 40,365</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$31,053,580, a change of \$616,766 from the prior year.

The largest portion of net position \$35,734,256 reflects our investment in capital assets (e.g., land, buildings, improvements, machinery, equipment, vehicles, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources

needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$1,780,361 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit balance of \$(6,461,037) resulting from unfunded pension and OPEB liabilities (see Notes 16 and 18).

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,944	\$ 2,365	\$ 2,092	\$ 1,810	\$ 5,036	\$ 4,175
Operating grants and contributions	9,846	9,867	-	-	9,846	9,867
Capital grants and contributions	27	73	241	118	268	191
General revenues:						
Property taxes	17,166	16,518	-	-	17,166	16,518
Excises	1,557	1,419	-	-	1,557	1,419
Penalties, interest, and other taxes	171	101	-	-	171	101
Grants and contributions not restricted to specific programs	1,515	1,458	-	-	1,515	1,458
Investment income	15	55	13	8	28	63
Permanent fund contributions	5	-	-	-	5	-
Miscellaneous	125	100	3	-	128	100
Total revenues	33,371	31,956	2,349	1,936	35,720	33,892
Expenses:						
General government	2,209	2,546	-	-	2,209	2,546
Public safety	4,293	5,860	-	-	4,293	5,860
Education	21,631	18,971	-	-	21,631	18,971
Public works	3,571	3,233	-	-	3,571	3,233
Human services	689	775	-	-	689	775
Culture and recreation	455	564	-	-	455	564
Interest on long-term debt	301	298	-	-	301	298
Intergovernmental	204	203	-	-	204	203
Golf	-	-	1,141	1,007	1,141	1,007
Sewer	-	-	609	685	609	685
Total expenses	33,353	32,450	1,750	1,692	35,103	34,142
Change in net position	18	(494)	599	244	617	(250)
Net position - beginning of year as restated	21,891	32,314	8,545	8,301	30,436	40,615
Net position - end of year	<u>\$ 21,909</u>	<u>\$ 31,820</u>	<u>\$ 9,144</u>	<u>\$ 8,545</u>	<u>\$ 31,053</u>	<u>\$ 40,365</u>

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 \$18,172. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 253,971
Major water fund change in fund balance	177,587
Nonmajor funds change in fund balance	365,677
Principal debt service in excess of depreciation expense	(1,279,388)
Change in long-term liabilities	824,633
Other	<u>(324,308)</u>
Total	<u>\$ 18,172</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$598,594. Key elements of this change are as follows:

Golf operations	\$ 329,376
Sewer operations	<u>269,218</u>
Total	<u>\$ 598,594</u>

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 a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$12,767,501, a change of \$797,235 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 253,971
Major fund operating results	177,587
Nonmajor funds operating results	<u>365,677</u>
Total	<u>\$ 797,235</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,773,017, while total fund balance was \$7,012,750. As a measure of the general fund's liquidity, it may be useful

to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance ⁽¹⁾	\$ 4,773,017	\$ 4,406,333	\$ 366,684	16.7%
Total fund balance	\$ 7,012,750	\$ 6,758,779	\$ 253,971	24.6%

⁽¹⁾ Includes \$2,235,820 in general stabilization

The total fund balance of the general fund changed by \$253,971 during the current fiscal year. Key factors in this change are as follows:

Use of free cash, overlay surplus, and other reserves as a funding source	\$ (1,494,969)
Revenues in excess of budget	779,781
Expenditures less than budget	316,408
Expenditures of prior year encumbrances	(312,106)
Change in stabilization	463,628
Other	501,229
Total	\$ <u>253,971</u>

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 \$3,814,529, a change of \$(6,503) 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 \$67,000. Major reasons for this change include:

\$ 12,000	appropriated to fund the Assessor's server mitigation; funded by overlay surplus.
<u>55,000</u>	appropriated for snow and ice deficit balance; funded by free cash.
\$ <u>67,000</u>	Total supplemental appropriations

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$49,705,737 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, equipment, and vehicles.

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

- Golf cart leases \$179,420
- Sewer betterment phase 3 connection for \$153,750
- New ambulance for \$278,639
- LED lighting improvement for \$127,969
- Various vehicle purchases for \$408,969
- Depreciation expense of \$(1,994,102)

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

Credit rating. During the fiscal year, the Town's Standard & Poor's credit rating remained unchanged at AA.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$13,913,484, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

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

Finance Department
122 Main Street
Acushnet, Massachusetts 02743

TOWN OF ACUSHNET, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 11,199,504	\$ 2,347,803	\$ 13,547,307
Investments	2,893,540	-	2,893,540
Receivables, net of allowance for uncollectibles:			
Property taxes	675,634	-	675,634
Excises	102,597	-	102,597
User fees	535,657	158,111	693,768
Intergovernmental	769,054	-	769,054
Betterments	11,344	345,052	356,396
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	256,634	-	256,634
Betterments	6,435	1,217,616	1,224,051
Land and construction in progress	1,689,257	5,271,873	6,961,130
Other capital assets, net of accumulated depreciation	37,619,554	5,125,053	42,744,607
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	1,219,769	-	1,219,769
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	56,978,979	14,465,508	71,444,487
LIABILITIES			
Current:			
Warrants and accounts payable	1,189,990	81,197	1,271,187
Accrued liabilities	743,306	64,835	808,141
Unearned revenue	-	64,058	64,058
Other liabilities	171,941	43,963	215,904
Current portion of long-term liabilities:			
Bonds payable	461,498	541,715	1,003,213
Other	17,639	29,398	47,037
Noncurrent:			
Bonds payable, net of current portion	8,563,995	4,346,276	12,910,271
Net pension liability	9,628,546	-	9,628,546
Total OPEB liability	13,140,648	-	13,140,648
Other, net of current portion	335,141	150,022	485,163
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	418,247	-	418,247
Related to OPEB	398,492	-	398,492
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
	35,069,443	5,321,464	40,390,907
NET POSITION			
Net investment in capital assets	30,404,741	5,329,515	35,734,256
Restricted for:			
Grants and other statutory restrictions	1,247,884	-	1,247,884
Permanent funds:			
Nonexpendable	208,544	-	208,544
Expendable	323,933	-	323,933
Unrestricted	(10,275,566)	3,814,529	(6,461,037)
TOTAL NET ASSETS			
	\$ 21,909,536	\$ 9,144,044	\$ 31,053,580

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

TOWN OF ACUSHNET, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	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	\$ 2,208,789	\$ 109,854	\$ 293,195	\$ (1,805,740)	\$ -	\$ (1,805,740)
Public safety	4,292,547	806,391	80,133	(3,406,023)	-	(3,406,023)
Education	21,630,898	241,318	9,211,162	(12,178,418)	-	(12,178,418)
Public works	3,571,379	1,678,940	-	(1,865,364)	-	(1,865,364)
Health and human services	688,715	98,300	223,298	(367,117)	-	(367,117)
Culture and recreation	455,090	8,778	38,540	(407,772)	-	(407,772)
Interest	301,348	-	-	(301,348)	-	(301,348)
Intergovernmental	203,921	-	-	(203,921)	-	(203,921)
Total Governmental Activities	33,352,667	2,943,581	9,846,328	(20,535,703)	-	(20,535,703)
Business-Type Activities:						
Golf services	1,140,962	1,466,085	-	-	325,123	325,123
Sewer services	609,143	625,350	-	-	257,213	257,213
Total Business-Type Activities	1,750,105	2,091,435	-	-	582,336	582,336
Total	\$ 35,102,792	\$ 5,035,016	\$ 9,846,328	(20,535,703)	582,336	(19,953,367)
General Revenues and Contributions:						
Property taxes				17,165,960	-	17,165,960
Excises				1,556,623	-	1,556,623
Penalties, interest and other taxes				170,599	-	170,599
Grants and contributions not restricted to specific programs				1,514,693	-	1,514,693
Investment income				15,554	13,298	28,852
Permanent fund contributions				5,000	-	5,000
Miscellaneous				125,446	2,960	128,406
Total general revenues				20,553,875	16,258	20,570,133
Change in Net Position				18,172	598,594	616,766
Net Position:						
Beginning of year, as restated				21,891,364	8,545,450	30,436,814
End of year				\$ 21,909,536	\$ 9,144,044	\$ 31,053,580

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

TOWN OF ACUSHNET, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	General Fund	Water Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and short-term investments	\$ 5,703,904	\$ 1,434,605	\$ 4,060,995	\$ 11,199,504
Investments	2,374,446	-	519,094	2,893,540
Receivables:				
Property taxes	1,015,783	-	11,316	1,027,099
Excises	190,964	-	-	190,964
User fees	-	402,775	182,628	585,403
Intergovernmental	741,979	-	27,075	769,054
Departmental and other	-	-	17,779	17,779
TOTAL ASSETS	\$ 10,027,076	\$ 1,837,380	\$ 4,818,887	\$ 16,683,343
LIABILITIES				
Warrants and accounts payable	\$ 950,921	\$ 184,073	\$ 54,996	\$ 1,189,990
Accrued liabilities	613,168	2,648	19,217	635,033
Other liabilities	171,882	-	60	171,942
TOTAL LIABILITIES	1,735,971	186,721	74,273	1,996,965
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	1,278,355	402,775	237,747	1,918,877
FUND BALANCES				
Nonspendable	-	-	208,544	208,544
Restricted	-	1,247,884	4,328,054	5,575,938
Committed	541,400	-	-	541,400
Assigned	1,698,333	-	-	1,698,333
Unassigned	4,773,017	-	(29,731)	4,743,286
TOTAL FUND BALANCES	7,012,750	1,247,884	4,506,867	12,767,501
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,027,076	\$ 1,837,380	\$ 4,818,887	\$ 16,683,343

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

TOWN OF ACUSHNET, 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	\$ 12,767,501
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	39,308,811
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,685,933
• Long-term liabilities, including bonds payable, net pension liability, Total OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(32,147,467)
• Other	<u>294,758</u>
Net position of governmental activities	\$ <u>21,909,536</u>

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

TOWN OF ACUSHNET, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Water Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 17,147,687	\$ -	\$ -	\$ 17,147,687
Excises	1,540,949	-	-	1,540,949
Penalties, interest and other taxes	137,636	-	183,354	320,990
Charges for services	133,385	1,616,678	867,637	2,617,700
Licenses and permits	201,771	-	-	201,771
Intergovernmental	9,288,406	-	967,200	10,255,606
Fines and forfeitures	12,098	-	-	12,098
Contributions	-	-	20,116	20,116
Investment income	17,749	-	(3,099)	14,650
Miscellaneous	-	-	263,076	263,076
Total Revenues	28,479,681	1,616,678	2,298,284	32,394,643
Expenditures:				
Current:				
General government	1,627,944	-	387,727	2,015,671
Public safety	3,466,227	-	402,014	3,868,241
Education	16,897,903	-	974,518	17,872,421
Public works	1,895,962	1,232,100	21,550	3,149,612
Health and human services	522,287	-	66,918	589,205
Culture and recreation	298,062	-	35,868	333,930
Insurance and benefits	3,062,094	-	-	3,062,094
Debt service	461,048	206,991	36,622	704,661
Intergovernmental	202,679	-	-	202,679
Capital outlay	83,894	-	-	83,894
Total Expenditures	28,518,100	1,439,091	1,925,217	31,882,408
Excess (deficiency) of revenues over expenditures	(38,419)	177,587	373,067	512,235
Other Financing Sources (Uses):				
Issuance of bonds	-	-	285,000	285,000
Transfers in	337,571	-	45,181	382,752
Transfers out	(45,181)	-	(337,571)	(382,752)
Total Other Financing Sources (Uses)	292,390	-	(7,390)	285,000
Change in fund balance	253,971	177,587	365,677	797,235
Fund Balance, at Beginning of Year	6,758,779	1,070,297	4,141,190	11,970,266
Fund Balance, at End of Year	\$ 7,012,750	\$ 1,247,884	\$ 4,506,867	\$ 12,767,501

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

TOWN OF ACUSHNET, 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 changes in fund balances - total governmental funds	\$ 797,235																		
<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 purchases</td><td style="text-align: right;">1,178,712</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(1,681,132)</td></tr> </table> The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Issuance of debt</td><td style="text-align: right;">(285,000)</td></tr> <tr> <td>Repayments of debt</td><td style="text-align: right;">401,744</td></tr> </table> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table> <tr> <td></td><td style="text-align: right;">(54,206)</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>Net pension liability and related deferred outflows and inflows of resources</td><td style="text-align: right;">(67,147)</td></tr> <tr> <td>Total OPEB liability and related deferred outflows and inflows of resources</td><td style="text-align: right;">(231,626)</td></tr> <tr> <td>Other</td><td style="text-align: right;">(15,349)</td></tr> </table> Other differences <table> <tr> <td></td><td style="text-align: right;"><u>(25,059)</u></td></tr> </table> 	Capital outlay purchases	1,178,712	Depreciation	(1,681,132)	Issuance of debt	(285,000)	Repayments of debt	401,744		(54,206)	Net pension liability and related deferred outflows and inflows of resources	(67,147)	Total OPEB liability and related deferred outflows and inflows of resources	(231,626)	Other	(15,349)		<u>(25,059)</u>	
Capital outlay purchases	1,178,712																		
Depreciation	(1,681,132)																		
Issuance of debt	(285,000)																		
Repayments of debt	401,744																		
	(54,206)																		
Net pension liability and related deferred outflows and inflows of resources	(67,147)																		
Total OPEB liability and related deferred outflows and inflows of resources	(231,626)																		
Other	(15,349)																		
	<u>(25,059)</u>																		
Change in net position of governmental activities	\$ <u>18,172</u>																		

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

TOWN OF ACUSHNET, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and Transfers In:				
Property taxes	\$ 16,646,458	\$ 16,646,458	\$ 16,646,458	\$ -
Motor vehicle excise	975,000	975,000	1,540,949	565,949
Penalties, interest and other taxes	100,000	100,000	137,636	37,636
Charges for services	104,500	104,500	133,385	28,885
Licenses and permits	160,000	160,000	201,771	41,771
Intergovernmental	8,094,243	8,094,243	8,155,806	61,563
Fines and forfeitures	10,000	10,000	12,098	2,098
Investment income	13,500	13,500	45,728	32,228
Transfers in	327,920	327,920	337,571	9,651
Use of free cash	1,415,469	1,470,469	1,470,469	-
Use of overlay surplus	12,500	24,500	24,500	-
Total Revenues and Transfers In	27,859,590	27,926,590	28,706,371	779,781
Expenditures and Transfers Out:				
General government	1,847,503	1,696,025	1,625,297	70,728
Public safety	3,337,553	3,457,208	3,450,829	6,379
Education	15,747,776	15,747,776	15,748,800	(1,024)
Public works	1,811,471	1,886,916	1,841,399	45,517
Health and human services	529,411	524,309	511,786	12,523
Culture and recreation	313,156	316,636	296,909	19,727
Employee benefits	331,638	331,638	331,638	-
Debt service	3,098,294	3,118,294	3,064,058	54,236
Intergovernmental	322,252	322,252	202,679	119,573
Transfers out	520,536	525,536	536,787	(11,251)
Total Expenditures and Transfers Out	27,859,590	27,926,590	27,610,182	316,408
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,096,189	\$ 1,096,189

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

TOWN OF ACUSHNET, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Business-Type Activities Enterprise Funds		
	<u>Golf Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 642,645	\$ 1,705,158	\$ 2,347,803
Receivables, net of allowance for uncollectibles:			
User fees	-	158,111	158,111
Betterments	-	345,052	345,052
Total current assets	642,645	2,208,321	2,850,966
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Betterments	-	1,217,616	1,217,616
Land and construction in progress	5,271,873	-	5,271,873
Other capital assets, net of accumulated depreciation	808,479	4,316,574	5,125,053
Total noncurrent assets	6,080,352	5,534,190	11,614,542
TOTAL ASSETS	6,722,997	7,742,511	14,465,508
LIABILITIES			
Current:			
Warrants and accounts payable	45,227	35,970	81,197
Accrued liabilities	43,738	21,097	64,835
Unearned revenue	64,058	-	64,058
Other	43,963	-	43,963
Current portion of long-term liabilities:			
Bonds payable	280,000	261,715	541,715
Other	29,398	-	29,398
Total current liabilities	506,384	318,782	825,166
Noncurrent:			
Bonds payable, net of current portion	2,345,000	2,001,276	4,346,276
Other, net of current portion	150,022	-	150,022
Total noncurrent liabilities	2,495,022	2,001,276	4,496,298
TOTAL LIABILITIES	3,001,406	2,320,058	5,321,464
NET POSITION			
Net investment in capital assets	3,275,932	2,053,583	5,329,515
Unrestricted	445,659	3,368,870	3,814,529
TOTAL NET POSITION	\$ 3,721,591	\$ 5,422,453	\$ 9,144,044

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

TOWN OF ACUSHNET, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities Enterprise Funds		
	<u>Golf Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 1,466,085	625,350	\$ 2,091,435
Total Operating Revenues	1,466,085	625,350	2,091,435
Operating Expenses:			
Salaries and benefits	515,701	79,161	594,862
Other operating expenses	383,238	335,656	718,894
Depreciation	164,325	148,645	312,970
Total Operating Expenses	1,063,264	563,462	1,626,726
Operating Income	402,821	61,888	464,709
Nonoperating Revenues (Expenses):			
Interest income	1,293	12,005	13,298
Miscellaneous revenues	2,960	-	2,960
Interest expense	(77,698)	(45,681)	(123,379)
Total Nonoperating Revenues (Expenses)	(73,445)	(33,676)	(107,121)
Income Before Capital Contributions	329,376	28,212	357,588
Capital Contributions	-	241,006	241,006
Change in Net Position	329,376	269,218	598,594
Net Position at Beginning of Year	3,392,215	5,153,235	8,545,450
Net Position at End of Year	\$ 3,721,591	\$ 5,422,453	\$ 9,144,044

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

TOWN OF ACUSHNET, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities Enterprise Funds		
	Golf Fund	Sewer Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 1,465,856	\$ 646,818	\$ 2,112,674
Payments to vendors	(375,935)	(357,179)	(733,114)
Payments to employees	(515,701)	(79,161)	(594,862)
Net Cash Provided By (Used For) Operating Activities	574,220	210,478	784,698
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets	(223,683)	(314,089)	(537,772)
Capital contributions	-	241,006	241,006
Proceeds from the issuance of capital lease	179,420	-	179,420
Principal payments on bonds	(265,000)	(256,928)	(521,928)
Principal payments on capital lease obligations	(37,787)	-	(37,787)
Interest expense	(82,725)	(49,209)	(131,934)
Other non-operating income	2,961	-	2,961
Net Cash Provided By (Used For) Capital and Related Financing Activities	(426,814)	(379,220)	(806,034)
<u>Cash Flows From Investing Activities:</u>			
Investment income	1,293	12,005	13,298
Net Change in Cash and Short-Term Investments	148,699	(156,737)	(8,038)
Cash and Short-Term Investments, Beginning of Year	493,946	1,861,895	2,355,841
Cash and Short-Term Investments, End of Year	\$ 642,645	\$ 1,705,158	\$ 2,347,803
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income	\$ 402,821	\$ 61,888	\$ 464,709
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	164,325	148,645	312,970
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees receivable	-	(16,116)	(16,116)
Special assessments	-	37,584	37,584
Warrants and accounts payable	7,304	(21,523)	(14,219)
Other liabilities	(230)	-	(230)
Net Cash Provided By (Used For) Operating Activities	\$ 574,220	\$ 210,478	\$ 784,698

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

TOWN OF ACUSHNET, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	\$ 22,765	\$ 117,925
Total Assets	22,765	117,925
 LIABILITIES AND NET POSITION		
Warrants payable	-	118
Accrued liabilities	-	7,031
Due to external parties	-	104,633
Other liabilities	-	6,143
Total Liabilities	-	117,925
 NET POSITION		
Restricted for other purposes	22,765	-
Total Net Position	\$ 22,765	\$ -

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

TOWN OF ACUSHNET, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Private Purpose Trust Funds</u>
Additions:	
Investment income	\$ <u>105</u>
Total additions	<u>105</u>
Net increase	105
Net position restricted for pensions and other purposes:	
Beginning of year	<u>22,660</u>
End of year	\$ <u><u>22,765</u></u>

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

TOWN OF ACUSHNET, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 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 primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Water Fund* accounts for activity associated with the water department.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under

this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

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

The Town reports the following major proprietary funds:

- Golf Fund
- Sewer Fund

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

The Town reports the following fiduciary funds:

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

D. Cash and Short-Term Investments

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

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

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

E. Investments

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

Investments for the stabilization funds and trust funds consist of bank certificates of deposit, corporate bonds, mutual funds, federal securities, and equity investments. 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 \$103.

G. Capital Assets

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Land improvements	20
Infrastructure	40 - 50
Vehicles	5-15
Equipment	5-10

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Fund Equity

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

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

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when

there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public.

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)	\$ 28,479,681	\$ 28,518,100
Other financing sources/uses (GAAP Basis)	<u>337,571</u>	<u>45,181</u>
Subtotal (GAAP Basis)	28,817,252	28,563,281
Adjust tax revenue to accrual basis	(501,229)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(721,641)
Add end-of-year appropriation carryforwards to expenditures	-	409,536
Record use of free cash and overlay surplus	1,494,969	-
Reverse effect of combining stabilization funds with general fund per GASB 54	27,979	491,606
To reverse the effect of non-budgeted State contributions for teachers retirement	<u>(1,132,600)</u>	<u>(1,132,600)</u>
Budgetary Basis	<u>\$ 28,706,371</u>	<u>\$ 27,610,182</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 grant revenues.

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." Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The Government's deposit policy is to review the financial institution's financial statements and background of any advisors. The intent is to limit the Town's exposure to only those institutions with a proven financial strength, capital adequacy of the firm, and overall affirmative reputation in the municipal industry.

As of June 30, 2018, \$1,660,880 of the Town's bank balance of \$13,650,476 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Credit Risk

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

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

<u>Investment Type</u>	<u>Amount</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year-end</u>				
			<u>Aaa</u>	<u>A1</u>	<u>A2</u>	<u>Baa1</u>	<u>Baa2</u>
Certificates of deposits	\$ 785	\$ 785	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate bonds	653	-	-	137	117	271	128
Federal securities	1,019	-	1,019	-	-	-	-
Equity investments	437	437	-	-	-	-	-
Total investments	<u>\$ 2,894</u>	<u>\$ 1,222</u>	<u>\$ 1,019</u>	<u>\$ 137</u>	<u>\$ 117</u>	<u>\$ 271</u>	<u>\$ 128</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Per the Town's investment policy, the Treasurer will review the financial institution's financial statements and the background of the Advisor. Further, all securities held by a third-party custodian will be held in the Town's name and tax identification number.

As of June 30, 2018, the Town did not have any investments exposed to custodial credit risk.

C. Concentration of Credit Risk

The Town will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Town did not hold investments in any one issuer (other than U.S. treasuries and government agency securities) representing 5% or more of total investments at June 30, 2018.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy states the Town will manage interest rate risk by managing duration in the account.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u> <u>(in Years)</u>		
		Less		
		<u>Than 1</u>	<u>1-5</u>	<u>N/A</u>
Certificates of deposits	\$ 785	\$ 428	\$ 357	\$ -
Corporate bonds	653	120	533	-
Federal securities	1,019	362	657	-
Equity investments	437	-	-	437
Total	<u>\$ 2,894</u>	<u>\$ 910</u>	<u>\$ 1,547</u>	<u>\$ 437</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency.

F. Fair Value

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

The Town has the following fair value measurements as of June 30, 2018 (in thousands):

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Description</u>				
Investments by fair value level:				
Debt securities:				
Federal agency securities	\$ 1,019	\$ -	\$ 1,019	\$ -
Corporate bonds	653	-	653	-
Equity securities:				
Corporate equities	437	437	-	-
Total	\$ <u>2,109</u>			

5. Property Taxes and Excises Receivables

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

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

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

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

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Net Amount (accrual basis)
Real estate taxes	\$ 367,820	\$ (45,621)	\$ 322,199
Personal property taxes	22,896	(17,865)	5,031
Tax liens	311,196	(31,120)	280,076
Other	325,187	(225)	324,962
Total property taxes	<u>\$ 1,027,099</u>	<u>\$ (94,831)</u>	932,268
Less current portion			<u>675,634</u>
Noncurrent taxes receivable			<u>\$ 256,634</u>
Motor vehicle excise	<u>\$ 190,964</u>	<u>\$ (88,367)</u>	<u>\$ 102,597</u>
Total excises	<u>\$ 190,964</u>	<u>\$ (88,367)</u>	<u>\$ 102,597</u>

6. User Fee Receivables

Receivables for user charges and betterments at June 30, 2018 consist of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Water	\$ 402,775	\$ (40,615)	\$ 362,160
Ambulance	182,628	(9,131)	173,497
Sewer	<u>181,413</u>	<u>(23,302)</u>	<u>158,111</u>
Total	<u>\$ 766,816</u>	<u>\$ (73,048)</u>	<u>\$ 693,768</u>

7. Interfund Transfers

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table below agrees with the sum of interfund transfers

presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2018:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 337,571	\$ 45,181
Nonmajor Funds:		
Special revenue funds	-	337,571
Capital project funds	<u>45,181</u>	<u>-</u>
Subtotal Nonmajor Funds	<u>45,181</u>	<u>337,571</u>
Grand Total	<u>\$ 382,752</u>	<u>\$ 382,752</u>

8. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 40,422	\$ 91	\$ -	\$ 40,513
Machinery, equipment, and furnishings	2,773	252	(37)	2,988
Vehicles	2,568	688	(298)	2,958
Infrastructure	22,064	148	-	22,212
Land improvements	<u>5,354</u>	<u>-</u>	<u>-</u>	<u>5,354</u>
Total capital assets, being depreciated	73,181	1,179	(335)	74,025
Less accumulated depreciation for:				
Buildings and improvements	(15,492)	(1,006)	-	(16,498)
Machinery, equipment, and furnishings	(1,669)	(154)	37	(1,786)
Vehicles	(1,537)	(143)	298	(1,382)
Infrastructure	(15,092)	(243)	-	(15,335)
Land improvements	<u>(1,269)</u>	<u>(135)</u>	<u>-</u>	<u>(1,404)</u>
Total accumulated depreciation	<u>(35,059)</u>	<u>(1,681)</u>	<u>335</u>	<u>(36,405)</u>
Total capital assets, being depreciated, net	38,122	(502)	-	37,620
Capital assets, not being depreciated:				
Land	<u>1,689</u>	<u>-</u>	<u>-</u>	<u>1,689</u>
Total capital assets, not being depreciated	<u>1,689</u>	<u>-</u>	<u>-</u>	<u>1,689</u>
Governmental activities capital assets, net	<u>\$ 39,811</u>	<u>\$ (502)</u>	<u>\$ -</u>	<u>\$ 39,309</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 303	\$ -	\$ -	\$ 303
Machinery, equipment, and furnishings	1,231	214	-	1,445
Infrastructure	5,774	324	-	6,098
Land improvements	<u>1,644</u>	<u>-</u>	<u>-</u>	<u>1,644</u>
Total capital assets, being depreciated	8,952	538	-	9,490
Less accumulated depreciation for:				
Buildings and improvements	(164)	(10)	-	(174)
Machinery, equipment, and furnishings	(945)	(81)	-	(1,026)
Infrastructure	(1,648)	(143)	-	(1,791)
Land improvements	<u>(1,295)</u>	<u>(79)</u>	<u>-</u>	<u>(1,374)</u>
Total accumulated depreciation	<u>(4,052)</u>	<u>(313)</u>	<u>-</u>	<u>(4,365)</u>
Total capital assets, being depreciated, net	4,900	225	-	5,125
Capital assets, not being depreciated:				
Land	1,637	-	-	1,637
Land improvements	2,836	-	-	2,836
Capitalized interest on land improvements	<u>799</u>	<u>-</u>	<u>-</u>	<u>799</u>
Total capital assets, not being depreciated	<u>5,272</u>	<u>-</u>	<u>-</u>	<u>5,272</u>
Business-type activities capital assets, net	<u>\$ 10,172</u>	<u>\$ 225</u>	<u>\$ -</u>	<u>\$ 10,397</u>

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

Governmental Activities:	
General government	\$ 103
Public safety	306
Education	713
Public works	463
Health and human services	31
Culture and recreation	<u>65</u>
Total depreciation expense - governmental activities	<u>\$ 1,681</u>
Business-Type Activities:	
Golf	\$ 164
Sewer	<u>149</u>
Total depreciation expense - business-type activities	<u>\$ 313</u>

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions, in accordance with GASB Statement No. 68, are more fully discussed in the corresponding pension note.

10. Warrants and Accounts Payable

Warrants payable represent 2018 expenditures paid by July 15, 2018, as permitted by law. Accounts payable represent additional 2018 expenditures paid after July 15, 2018.

11. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in fiscal year 2023. Future minimum lease payments under the capital lease consisted of the following as of June 30, 2018:

<u>Fiscal</u> <u>Year</u>	<u>Capital</u> <u>Leases</u>
2019	\$ 34,147
2020	39,397
2021	39,396
2022	39,397
2023	<u>39,396</u>
Total payments	191,733
Less amounts representing interest	<u>12,313</u>
Present Value of Minimum Lease Payments	<u><u>\$ 179,420</u></u>

12. Long-Term Debt

A. General Obligation Bonds

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

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/18
<u>Governmental Activities:</u>			
School refunding	08/01/25	2.00	\$ 777,000
Police station	08/01/34	2.00	4,290,000
Water main replacement	02/04/43	4.50	544,136
Water main replacement	12/14/44	4.25	964,290
Water main replacement	04/25/45	4.13	515,459
Water main replacement	06/25/46	4.13	1,269,913
Septic system betterment Title V	08/01/18	5.13	5,434
Sewer loan program	07/15/29	0.00	374,261
Ambulance	03/01/23	3.40	285,000
Total Governmental Activities			<u>\$ 9,025,493</u>

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/18
<u>Business-Type Activities:</u>			
Gold course irrigation	08/01/24	3.00	\$ 85,000
Golf course	08/01/27	3.00	2,540,000
Sewer design	08/01/26	2.00	143,000
MWPAT	07/15/26	2.00	365,070
Sewer phase II	07/15/25	2.00	1,754,921
Total Business-Type Activities			<u>\$ 4,887,991</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	\$ 461,498	\$ 303,530	\$ 765,028
2020	458,935	293,044	751,979
2021	466,927	281,632	748,559
2022	470,047	268,569	738,616
2023	483,298	252,012	735,310
2024-2028	2,107,289	1,023,599	3,130,888
2029-2033	2,031,333	702,025	2,733,358
Thereafter	2,546,166	587,072	3,133,238
Total	<u>\$ 9,025,493</u>	<u>\$ 3,711,483</u>	<u>\$ 12,736,976</u>

The general funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2018.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 541,715	\$ 118,573	\$ 660,288
2020	546,597	104,890	651,487
2021	561,579	90,933	652,512
2022	566,661	76,625	643,286
2023	581,846	61,890	643,736
2024-2028	<u>2,089,593</u>	<u>100,421</u>	<u>2,190,014</u>
Total	<u>\$ 4,887,991</u>	<u>\$ 553,332</u>	<u>\$ 5,441,323</u>

C. Changes in General Long-Term Liabilities

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

	Total Balance <u>7/1/17</u>	Additions	Reductions	Total Balance <u>6/30/18</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/18</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 9,142	\$ 285	\$ (402)	\$ 9,025	\$ (461)	\$ 8,564
Net pension liability	10,302	-	(673)	9,629	-	9,629
Total OPEB liability	13,307	-	(166)	13,141	-	13,141
Other:						
Compensated absences	<u>337</u>	<u>16</u>	<u>-</u>	<u>353</u>	<u>(18)</u>	<u>335</u>
Totals	<u>\$ 33,088</u>	<u>\$ 301</u>	<u>\$ (1,241)</u>	<u>\$ 32,148</u>	<u>\$ (479)</u>	<u>\$ 31,669</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 5,410	\$ -	\$ (522)	\$ 4,888	\$ (542)	\$ 4,346
Other:						
Capital leases	<u>38</u>	<u>179</u>	<u>(38)</u>	<u>179</u>	<u>(29)</u>	<u>150</u>
Totals	<u>\$ 5,448</u>	<u>\$ 179</u>	<u>\$ (560)</u>	<u>\$ 5,067</u>	<u>\$ (571)</u>	<u>\$ 4,496</u>

13. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB 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.

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

The following types of fund balances are reported at June 30, 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 general fund pre-paid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

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

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

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

Unassigned - Represents amounts that are available to be spent in future periods. This fund balance classification also includes general stabilization funds set aside at Town Meeting vote for future use and temporary deficits in other governmental funds.

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

	General Fund	Water Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 208,544	\$ 208,544
Total Nonexpendable	-	-	208,544	208,544
Restricted				
Water funds	-	1,247,884	-	1,247,884
Special revenue funds	-	-	3,802,070	3,802,070
Capital projects funds	-	-	202,051	202,051
Expendable permanent funds	-	-	323,933	323,933
Total Restricted	-	1,247,884	4,328,054	5,575,938
Committed				
Reserve for continuing resolutions	341,561	-	-	341,561
OPEB stabilization funds	199,839	-	-	199,839
Total Committed	541,400	-	-	541,400
Assigned				
Reserve for BAN premium	24,793	-	-	24,793
Encumbrances	67,975	-	-	67,975
Reserve for expenditures	1,605,565	-	-	1,605,565
Total Assigned	1,698,333	-	-	1,698,333
Unassigned				
General fund	2,537,197	-	-	2,537,197
General stabilization fund	2,235,820	-	-	2,235,820
Special revenue fund deficits	-	-	(29,731)	(29,731)
Total Unassigned	4,773,017	-	(29,731)	4,743,286
Total Fund Balance	\$ 7,012,750	\$ 1,247,884	\$ 4,506,867	\$ 12,767,501

15. General Fund Unassigned Fund Balance

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

Massachusetts General Laws include provisions to allow municipalities to over-expend certain appropriations if they are incurred in an emergency situation and for the safety of the public. The most common example involves the "snow and ice" appropriation. However, all such over-expenditures must be funded in the subsequent year's tax rate.

Massachusetts General Laws require that non-property tax revenue budget short-falls, net of appropriation turnbacks, be funded in the subsequent year. The same treatment is also applied to the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay).

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

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

GAAP basis balance	\$ 4,773,017
General stabilization fund	<u>(2,235,820)</u>
Statutory (UMAS) Balance	<u>\$ 2,537,197</u>

16. Bristol County Retirement System

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

A. Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Bristol County Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 645 County Street Taunton, Massachusetts 02780.

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 five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

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

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

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

Participant Refunds

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

Participants Contributions

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

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

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

Employer Contributions

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

The Town's contribution to the System for the year ended June 30, 2018 was \$1,161,794, 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 \$9,628,546 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 January 1, 2018. The Town's proportion of the net pension liability was based on an actuarially determined projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At December 31, 2017, the Town's proportion was 3.0856%.

For the year ended June 30, 2018, the Town recognized pension expense of \$1,288,717. 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	\$ 1,219,769	\$ -
Changes of assumptions	-	157,534
Net difference between projected and actual earnings on pension plan investments	-	244,408
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	16,305
Total	\$ <u>1,219,769</u>	\$ <u>418,247</u>

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

Year ended June 30:	
2019	\$ 502,352
2020	382,328
2021	26,216
2022	<u>(109,374)</u>
Total	\$ <u>801,522</u>

D. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.00%
Projected salary increases	2.75%-5.50%
Investment rate of return	7.75%
Cost of living increases	3% of the first \$18,000 of retirement

Mortality rates were based on RP-2014 Blue Collar Mortality Table with Scale MP-2014, fully generational for Pre-Retirement retirees. Healthy Retirees for Group 1 and 2 are represented by the RP-2014 Blue Collar Mortality Table set forward 5 years for males and 3 years for females, fully generational; however, Group 4 retirees are set forward 3 years for males and 6 years for females, fully generational. Disabled retirees for Groups 1 and 2 are represented by the RP-2000 Mortality Table set forward 6 years; however, Group 4 is set forward 2 years. Generational adjusting is based on Scale MP-2014.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	46.50%	7.80%
Fixed income	24.50%	4.60%
Private equity	8.50%	10.50%
Real estate funds	7.50%	6.50%
Hedge funds	5.00%	5.90%
Infrastructure	5.00%	7.60%
Timber	3.00%	7.50%
Total	<u>100.00%</u>	

E. Discount Rate

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

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

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

<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$ 13,067,165	\$ 9,628,546	\$ 6,732,178

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.

17. **Massachusetts Teachers' Retirement System (MTRS)**

A. **Plan Description**

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

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

B. **Benefits Provided**

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establish uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

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

C. Contributions

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

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

D. Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

- (a) 7.50% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
 - Disability – assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale BB set forward 4 years.

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

return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	40.00%	5.00%
Portfolio completion strategies	13.00%	1.10%
Core fixed income	12.00%	6.60%
Private equity	11.00%	3.60%
Real estate	10.00%	3.80%
Value added fixed income	10.00%	3.60%
Timber/natural resources	4.00%	3.20%
Hedge funds	0.00%	3.60%
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 plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Sensitivity Analysis

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

<u>1% Decrease to 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase to 8.50%</u>
\$ 28,424,300	\$ 22,885,391	\$ 18,193,400

G. Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a

special funding situation as defined by *GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68)*, and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

H. Commonwealth Proportions Associated with the Town

In fiscal year 2017 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense associated with the Town was \$20,979,108 and \$2,189,651 respectively, based on a proportionate share of 0.091670%. As required by GASB 68, the Town has recognized Commonwealth's contribution as both a revenue and expenditure in the general fund, and its portion of the collective pension expense as both a revenue and expense in the governmental activities.

18. 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*. 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 retired employees through the Town's plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. 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 retirees and their 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	133
Active employees	<u>99</u>
Total	<u>232</u>

B. Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.50%
Discount rate	3.87%
Healthcare cost trend rates	6.10% - 4.50% over 57 years
Retirees' share of benefit-related costs	40%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index at June 30, 2018.

Healthy mortality rates were based on RP-2000 adjusted for "white collar" employment for males and females, projected 22 years with Scale AA for pre-retirement teachers. Post-retirement teachers are based on RP-2000 Healthy Annuitant table for males and females adjusted for large annuity amounts and projected 17 years with Scale AA. Groups 1, 2 & 4 were based on RP-2000 Mortality Table for males and females, and separate tables projected to 2020 with Scale AA for active employees and projected to 2015 with Scale AA for annuitants.

Disabled mortality rates were based on RP-2000 Healthy Annuitant table for males and females, adjusted for large annuity amounts and projected 7 years with Scale AA, set forward 3 years for males for teachers. Groups 1, 2 and 4 were based on RP-2000 Healthy Annuitant Table for males and females, set forward 2 years.

C. Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. 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 \$13,140,648 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2016.

E. Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at 6/30/17	\$ 13,307,514
Changes for the year:	
Service cost	356,495
Interest	480,708
Changes in assumptions or other inputs	(527,038)
Benefit payments	<u>(477,031)</u>
Net Changes	<u>(166,866)</u>
Balances at 6/30/18	<u>\$ 13,140,648</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:

1% Decrease	Current Discount Rate	1% Increase
<u>\$ 15,096,981</u>	<u>\$ 13,140,648</u>	<u>\$ 11,537,314</u>

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:

1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
<u>\$ 11,184,462</u>	<u>\$ 13,140,648</u>	<u>\$ 15,601,741</u>

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 \$708,657. At June 30, 2018, the Town reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Change in assumptions	\$ 398,492
Total	\$ 398,492

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

<u>Year Ended June 30:</u>	
2019	\$ 128,546
2020	128,546
2021	128,546
2022	12,854
Total	\$ 398,492

19. 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.

20. Beginning Net Position Restatement

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

Government-Wide Financial Statements:

	Governmental <u>Activities</u>
As previously reported	\$ 31,820,382
Implementation of GASB 75	<u>(9,929,018)</u>
As restated	<u><u>\$ 21,891,364</u></u>

TOWN OF ACUSHNET, MASSACHUSETTS
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)
JUNE 30, 2018
(Unaudited)

Bristol 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	3.0856%	\$9,628,546	\$ 5,785,644	166.42%	65.56%
June 30, 2017	December 31, 2016	3.0858%	\$10,301,662	\$ 5,115,276	201.39%	64.17%
June 30, 2016	December 31, 2015	3.0860%	\$10,381,362	\$ 5,125,090	202.56%	62.90%
June 30, 2015	December 31, 2014	3.2640%	\$9,327,209	\$ 4,631,483	201.39%	67.11%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</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	June 30, 2017	0.091670%	\$ -	\$ 20,979,108	\$ 20,979,108	\$ 6,224,822	-	54.25%
June 30, 2017	June 30, 2016	0.097076%	\$ -	\$ 21,704,162	\$ 21,704,162	\$ 6,385,324	-	52.73%
June 30, 2016	June 30, 2015	0.088293%	\$ -	\$ 18,090,881	\$ 18,090,881	\$ 5,596,794	-	55.36%
June 30, 2015	June 30, 2014	0.087552%	\$ -	\$ 13,917,926	\$ 13,917,926	\$ 5,368,246	-	61.64%

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

See Independent Auditors' Report.

TOWN OF ACUSHNET, MASSACHUSETTS

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

**JUNE 30, 2018
(Unaudited)**

Bristol County Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</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	December 31, 2017	\$ 1,161,794	\$ 1,161,794	\$ -	\$ 5,785,644	20.08%
June 30, 2017	December 31, 2016	\$ 1,107,220	\$ 1,107,220	\$ -	\$ 5,115,276	21.65%
June 30, 2016	December 31, 2015	\$ 1,024,752	\$ 1,024,752	\$ -	\$ 5,125,090	19.99%
June 30, 2015	December 31, 2014	\$ 1,008,460	\$ 1,008,460	\$ -	\$ 4,631,483	21.77%

Massachusetts Teachers' Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</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	June 30, 2017	\$ 1,132,600	\$ 1,132,600	\$ -	\$ 6,244,822	18.14%
June 30, 2017	June 30, 2016	\$ 1,091,699	\$ 1,091,699	\$ -	\$ 6,385,324	17.10%
June 30, 2016	June 30, 2015	\$ 902,291	\$ 902,291	\$ -	\$ 5,596,794	16.12%
June 30, 2015	June 30, 2014	\$ 820,699	\$ 820,699	\$ -	\$ 5,368,246	15.29%

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

See Independent Auditors' Report.

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

Schedules of Changes in the Total OPEB Liability (GASB 75)
(Unaudited)

Changes in Total OPEB Liability

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 356,495
Interest on unfunded liability - time value of \$	480,708
Changes of assumptions	(527,038)
Benefit payments, including refunds of member contributions	<u>(477,031)</u>
Net change in total OPEB liability	(166,866)
Total OPEB liability - beginning	<u>13,307,514</u>
Total OPEB liability - ending	\$ <u>13,140,648</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.