

TOWN OF UXBRIDGE, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinions on all Opinion Units

In March 2019, a number of possible financial irregularities, including the possible misappropriation of funds, were discovered. The Town, in conjunction with the Commonwealth of Massachusetts, has undertaken a complete review of the situation. As a result, material uncertainties related to the carrying value of assets and classification of expenditures/expense may exist. The effects of these uncertainties on the basic financial statements are not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on all Opinion Units" paragraph, 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 Uxbridge, 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 56 to 59 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

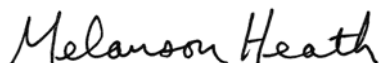
our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Emphasis of Matter

As discussed on page 10 of the basic financial statements, the Town's credit rating has been suspended or withdrawn based on the Town's inability to provide audited financial information.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Melanson Heath".

October 29, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other 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, culture and recreation, employee benefits, interest, and intergovernmental. The business-type activities include water, sewer, and cable services.

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

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

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

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

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

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

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 of resources exceeded liabilities and deferred inflows of resources by \$(21,593,447) (i.e., net position), a change of \$(2,032,754) in comparison to the prior year, further discussed in Section C.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$11,677,953, a change of \$(1,754,046) in comparison to the prior year, further discussed in Section D.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,228,348, a change of \$570,571 in comparison to the prior year, further discussed in Section D.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017⁽¹⁾</u>	<u>2018</u>	<u>2017⁽¹⁾</u>	<u>2018</u>	<u>2017⁽¹⁾</u>
Current and other assets	\$ 16,953,694	\$ 19,336,043	\$ 9,376,801	\$ 6,479,598	\$ 26,330,495	\$ 25,815,641
Capital assets	<u>75,280,523</u>	<u>73,844,216</u>	<u>34,295,145</u>	<u>24,042,569</u>	<u>109,575,668</u>	<u>97,886,785</u>
Total assets	92,234,217	93,180,259	43,671,946	30,522,167	135,906,163	123,702,426
Deferred outflows of resources	5,373,452	4,495,260	269,554	358,393	5,643,006	4,853,653
Long-term liabilities	129,415,259	84,410,778	15,079,412	15,084,595	144,494,671	99,495,373
Other liabilities	<u>3,878,453</u>	<u>3,390,357</u>	<u>12,916,568</u>	<u>458,777</u>	<u>16,795,021</u>	<u>3,849,134</u>
Total liabilities	133,293,712	87,801,135	27,995,980	15,543,372	161,289,692	103,344,507
Deferred inflows of resources	1,555,139	383,040	297,785	222,197	1,852,924	605,237
Net investment in capital assets	48,534,274	47,753,363	14,065,229	12,771,392	62,599,503	60,524,755
Restricted	5,388,529	4,697,144	-	-	5,388,529	4,697,144
Unrestricted	<u>(91,163,985)</u>	<u>(42,959,163)</u>	<u>1,582,506</u>	<u>2,343,599</u>	<u>(89,581,479)</u>	<u>(40,615,564)</u>
Total net position	\$ <u>(37,241,182)</u>	\$ <u>9,491,344</u>	\$ <u>15,647,735</u>	\$ <u>15,114,991</u>	\$ <u>(21,593,447)</u>	\$ <u>24,606,335</u>

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$(21,593,447), a change of \$(2,032,754) from the prior year.

The largest portion of net position \$62,599,503 reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire

those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$5,388,529 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$(89,581,479), may be used to meet the Town's ongoing obligations to citizens and creditors. The deficit net position primarily results from recording the Town's net pension and OPEB liabilities.

<u>CHANGES IN NET POSITION</u>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017⁽¹⁾</u>	<u>2018</u>	<u>2017⁽¹⁾</u>	<u>2018</u>	<u>2017⁽¹⁾</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,816,520	\$ 2,457,868	\$ 5,216,490	\$ 4,153,755	\$ 8,033,010	\$ 6,611,623
Operating grants and contributions	17,214,808	16,085,576	-	-	17,214,808	16,085,576
Capital grants and contributions	131,138	510,573	71,405	305,083	202,543	815,656
General revenues:						
Property taxes	28,634,473	27,297,006	-	-	28,634,473	27,297,006
Excises	2,047,186	2,043,686	-	-	2,047,186	2,043,686
Penalties and interest on taxes	153,960	77,272	-	-	153,960	77,272
Grants and contributions not restricted to specific programs	1,532,068	1,516,731	-	-	1,532,068	1,516,731
Investment income	116,203	269,538	-	-	116,203	269,538
Other	313,799	251,904	-	-	313,799	251,904
Total revenues	52,960,155	50,510,154	5,287,895	4,458,838	58,248,050	54,968,992
Expenses:						
General government	1,813,932	1,666,778	-	-	1,813,932	1,666,778
Public safety	4,642,638	4,481,831	-	-	4,642,638	4,481,831
Education	35,601,656	33,607,199	-	-	35,601,656	33,607,199
Public works	2,306,375	2,405,329	-	-	2,306,375	2,405,329
Health and human services	656,656	584,784	-	-	656,656	584,784
Culture and recreation	501,747	402,646	-	-	501,747	402,646
Employee benefits	8,534,869	9,019,926	-	-	8,534,869	9,019,926
Debt service interest	975,595	983,849	-	-	975,595	983,849
Intergovernmental	1,227,738	1,254,491	-	-	1,227,738	1,254,491
Water services	-	-	1,623,542	1,618,955	1,623,542	1,618,955
Sewer services	-	-	2,084,188	2,047,270	2,084,188	2,047,270
Nonmajor services	-	-	311,868	398,245	311,868	398,245
Total expenses	56,261,206	54,406,833	4,019,598	4,064,470	60,280,804	58,471,303
Change in net position before transfers	(3,301,051)	(3,896,679)	1,268,297	394,368	(2,032,754)	(3,502,311)
Transfers in (out)	(103,500)	(20,194)	103,500	20,194	-	-
Change in net position	(3,404,551)	(3,916,873)	1,371,797	414,562	(2,032,754)	(3,502,311)
Net position - beginning of year, as restated	(33,836,631)	13,408,217	14,275,938	14,700,429	(19,560,693)	28,108,646
Net position - end of year	\$ (37,241,182)	\$ 9,491,344	\$ 15,647,735	\$ 15,114,991	\$ (21,593,447)	\$ 24,606,335

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

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(3,404,551). Key elements of this change are as follows:

General fund operating results	\$ 637,380
Enterprise fund transfers, net	(103,500)
Increase in net pension liability, net of related deferrals	(1,440,554)
Increase in net OPEB liability, net of related deferrals	(2,771,755)
Other	<u>273,878</u>
Total	<u>\$ (3,404,551)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$1,371,797. Key elements of this change are as follows:

Water fund	\$ 646,713
Sewer fund	844,052
Nonmajor fund	<u>(118,968)</u>
Total	<u>\$ 1,371,797</u>

The increase in net position for both the water and sewer fund is largely attributable to rate increases as well as water and sewer capital improvement fee collections. The decrease in nonmajor funds is largely attributable to (non-budgeted) current year depreciation expense.

D. FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$11,677,953, a change of \$(1,754,046) in comparison to the prior year. Key elements of this change are as follows:

General fund revenues in excess of expenditures	\$ 637,380
Water fund debt service subsidy	(103,500)
High School Construction interest income	168
Fire Station Construction capital expenditures (bonds issued in prior year)	(2,925,898)
Dog park donation	195,885
Other special revenue fund revenues in excess of expenditures	464,043
Permanent fund expenditures in excess of revenues	<u>(22,124)</u>
Total	\$ <u><u>(1,754,046)</u></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 \$5,228,348, including general stabilization accounts of \$3,345,796, while total fund balance was \$5,852,773. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures as illustrated in the table below:

<u>General Fund</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	% of Total General Fund Expenditures
Unassigned fund balance	\$ 5,228,348	\$ 4,657,777	\$ 570,571	11.23%
Total fund balance	\$ 5,852,773	\$ 5,346,042	\$ 506,731	12.57%

The total fund balance of the general fund changed by \$506,731 during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay as a funding source	\$ (1,057,995)
Revenues in excess of budget	1,167,562
Expenditures less than budget	403,984
Expenditures of prior year articles greater than current year commitments	(70,890)
Change in stabilization accounts	<u>64,070</u>
Total	\$ <u><u>506,731</u></u>

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

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
General Stabilization	\$ 3,345,796	\$ 3,281,726	\$ 64,070
Capital Stabilization	<u>2,664</u>	<u>2,664</u>	<u>-</u>
Total Stabilization accounts	\$ <u><u>3,348,460</u></u>	\$ <u><u>3,284,390</u></u>	\$ <u><u>64,070</u></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 \$1,582,506, a change of \$(761,093) in comparison to the prior year. The decrease in the unrestricted net position of the enterprise is largely attributable to the Town's recording of each enterprise funds applicable portion of the net pension and OPEB liabilities.

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 \$2,806,286. Of the additional appropriations, \$1,049,995 was funded by free cash, \$1,089,638 from other funds, \$658,653 from property taxes, and \$8,000 from overlay surplus. Major reasons for these amendments include:

• Transfer to stabilization	\$1,049,995
• Road Improvements	\$ 400,000
• Other capital articles	\$ 632,638
• Snow/ice appropriations	\$ 380,000
• School department	\$ 258,563
• Other appropriations	\$ 85,090

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$109,575,668 (net of accumulated depreciation). This investment in capital assets includes buildings, equipment, improvements, infrastructure, land, and construction in progress. The major capital asset events during the current fiscal year were related to the new fire station construction, wastewater treatment facility upgrades, road improvements, DPW equipment, and various school improvements.

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

Change in credit rating. At June 30, 2018, the Town maintained a AA+ credit rating from Standard & Poor's (S&P) Rating Group. However, on June 4, 2019, S&P suspended its rating on the Town.

Additionally, subsequent to fiscal year end, Moody's Investors Service has withdrawn the Town's credit rating.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$38,708,803, 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'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:

Accounting Office
Town of Uxbridge
21 South Main Street
Uxbridge, Massachusetts 01569

TOWN OF UXBRIDGE, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Current:			
Cash and short-term investments	\$ 8,184,197	\$ 6,543,701	\$ 14,727,898
Investments	6,498,687	-	6,498,687
Receivables, net of allowance for uncollectibles:			
Property taxes	69,655	-	69,655
Excises	188,138	-	188,138
User fees	-	400,116	400,116
Intergovernmental	975,705	1,713,391	2,689,096
Departmental	184,725	-	184,725
Betterments	-	1,176	1,176
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	852,587	-	852,587
Intergovernmental	-	713,196	713,196
Betterments	-	5,221	5,221
Capital assets being depreciated, net	60,368,780	16,243,988	76,612,768
Capital assets not being depreciated	14,911,743	18,051,157	32,962,900
Deferred Outflows of Resources			
Related to pensions	2,660,213	219,614	2,879,827
Related to OPEB	2,578,489	49,940	2,628,429
Other	134,750	-	134,750
Total Assets and Deferred Outflows of Resources	97,607,669	43,941,500	141,549,169
Liabilities			
Current:			
Warrants payable	807,771	2,481,055	3,288,826
Accrued liabilities	3,009,695	566,724	3,576,419
Notes payable	-	9,868,789	9,868,789
Other current liabilities	60,987	-	60,987
Current portion of long-term liabilities:			
Bonds payable	2,442,121	757,478	3,199,599
Accrued employee benefits	96,649	14,204	110,853
Estimated landfill closure and postclosure care costs	14,300	-	14,300
Noncurrent:			
Bonds payable, net of current portion	24,880,958	10,628,246	35,509,204
Accrued employee benefits, net of current portion	1,836,340	269,861	2,106,201
Estimated landfill closure and postclosure care costs, net of current portion	171,600	-	171,600
Net pension liability	23,317,072	1,924,946	25,242,018
Net OPEB liability	76,656,219	1,484,677	78,140,896
Deferred Inflows of Resources			
Related to pensions	1,555,139	128,385	1,683,524
Other	-	169,400	169,400
Total Liabilities and Deferred Inflows of Resources	134,848,851	28,293,765	163,142,616
Net Position			
Net investment in capital assets	48,534,274	14,065,229	62,599,503
Restricted for:			
Grants and other statutory restrictions	4,835,038	-	4,835,038
Permanent funds:			
Nonexpendable	186,721	-	186,721
Expendable	366,770	-	366,770
Unrestricted	(91,163,985)	1,582,506	(89,581,479)
Total Net Position	\$ (37,241,182)	\$ 15,647,735	\$ (21,593,447)

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

TOWN OF UXBRIDGE, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-	Total
	Expenses	Services	Grants and Contributions	Grants and Contributions	Activities	Type Activities	
Governmental Activities							
General government	\$ 1,813,932	\$ 310,422	\$ 2,689	\$ -	\$ (1,500,821)	\$ -	\$ (1,500,821)
Public safety	4,642,638	1,296,476	90,591	-	(3,255,571)	-	(3,255,571)
Education	35,601,656	1,120,378	16,630,857	-	(17,850,421)	-	(17,850,421)
Public works	2,306,375	10,051	2,108	131,138	(2,163,078)	-	(2,163,078)
Health and human services	656,656	54,465	253,010	-	(349,181)	-	(349,181)
Culture and recreation	501,747	24,728	235,553	-	(241,466)	-	(241,466)
Employee benefits	8,534,869	-	-	-	(8,534,869)	-	(8,534,869)
Debt service interest	975,595	-	-	-	(975,595)	-	(975,595)
Intergovernmental	1,227,738	-	-	-	(1,227,738)	-	(1,227,738)
Total Governmental Activities	56,261,206	2,816,520	17,214,808	131,138	(36,098,740)	-	(36,098,740)
Business-Type Activities							
Water services	1,623,542	2,140,367	-	26,388	-	543,213	543,213
Sewer services	2,084,188	2,883,223	-	45,017	-	844,052	844,052
Other (nonmajor)	311,868	192,900	-	-	-	(118,968)	(118,968)
Total Business-Type Activities	4,019,598	5,216,490	-	71,405	-	1,268,297	1,268,297
Total	\$ 60,280,804	\$ 8,033,010	\$ 17,214,808	\$ 202,543	(36,098,740)	1,268,297	(34,830,443)
General Revenues and Transfers							
Property taxes					28,634,473	-	28,634,473
Excises					2,047,186	-	2,047,186
Penalties, interest and other taxes					153,960	-	153,960
Grants and contributions not restricted to specific programs					1,532,068	-	1,532,068
Investment income					116,203	-	116,203
Other					313,799	-	313,799
Transfers, net					(103,500)	103,500	-
Total General Revenues and Transfers					32,694,189	103,500	32,797,689
Change in Net Position					(3,404,551)	1,371,797	(2,032,754)
Net Position							
Beginning of year, as restated					(33,836,631)	14,275,938	(19,560,693)
End of year					\$ (37,241,182)	\$ 15,647,735	\$ (21,593,447)

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

TOWN OF UXBRIDGE, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	General Fund	High School Construction Fund	Fire Station Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and short-term investments	\$ 3,771,630	\$ 56,263	\$ 1,393,305	\$ 2,962,999	\$ 8,184,197
Investments	4,414,370	-	-	2,084,317	6,498,687
Receivables:					
Property taxes	1,198,181	-	-	-	1,198,181
Excises	320,556	-	-	-	320,556
Intergovernmental	-	-	-	521,833	521,833
Departmental	194,447	-	-	-	194,447
Total Assets	\$ 9,899,184	\$ 56,263	\$ 1,393,305	\$ 5,569,149	\$ 16,917,901
Liabilities					
Warrants payable	\$ 391,962	\$ -	\$ 208,086	\$ 207,723	\$ 807,771
Accrued liabilities	1,929,546	-	665,550	62,913	2,658,009
Other liabilities	11,722	-	-	49,265	60,987
Total Liabilities	2,333,230	-	873,636	319,901	3,526,767
Deferred Inflows of Resources					
Unavailable revenues	1,713,181	-	-	-	1,713,181
Fund Balances					
Nonspendable	-	-	-	186,721	186,721
Restricted	-	-	519,669	5,197,263	5,716,932
Committed	624,425	-	-	-	624,425
Unassigned	5,228,348	56,263	-	(134,736)	5,149,875
Total Fund Balances	5,852,773	56,263	519,669	5,249,248	11,677,953
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,899,184	\$ 56,263	\$ 1,393,305	\$ 5,569,149	\$ 16,917,901

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

TOWN OF UXBRIDGE, 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	\$ 11,677,953
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	75,280,523
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,295,102
• MSBA receivables are not collectible in the current period and, therefore, are not reported in the governmental funds.	453,872
• Loss on refunding bonds.	134,750
• Deferred outflows of resources to be recognized as an increase to pension and OPEB expense in future periods:	
Related to pensions	2,660,213
Related to OPEB	2,578,489
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds payable	(27,323,079)
Accrued employee benefits	(1,932,989)
Landfill closure and postclosure care costs	(185,900)
Net pension liability	(23,317,072)
Net OPEB obligation	(76,656,219)
• Deferred inflows of resources to be recognized as a decrease to pension expense in future periods.	(1,555,139)
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(351,686)
Net position of governmental activities	<u><u>\$ (37,241,182)</u></u>

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

TOWN OF UXBRIDGE, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	High School Construction Fund	Fire Station Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 28,615,522	\$ -	\$ -	\$ -	\$ 28,615,522
Excise taxes	2,067,814	-	-	-	2,067,814
Interest, penalties, and other taxes	153,960	-	-	-	153,960
Fines and forfeitures	108,304	-	-	-	108,304
Departmental	967,012	-	-	1,145,156	2,112,168
Licenses and permits	581,523	-	-	24,560	606,083
Intergovernmental	14,291,853	-	-	2,855,527	17,147,380
Investment income (loss)	165,221	168	-	(49,186)	116,203
Contributions	-	-	-	404,681	404,681
Other	246,629	-	-	67,170	313,799
Total Revenues	47,197,838	168	-	4,447,908	51,645,914
Expenditures					
Current:					
General government	1,402,293	-	-	122,037	1,524,330
Public safety	3,745,216	-	-	98,548	3,843,764
Education	25,794,985	-	-	3,361,541	29,156,526
Public works	1,690,129	-	-	137,389	1,827,518
Health and human services	525,523	-	-	36,143	561,666
Culture and recreation	390,482	-	-	54,446	444,928
Employee benefits	7,094,315	-	-	-	7,094,315
Capital outlay	1,314,917	-	2,925,898	-	4,240,815
Debt service	3,374,860	-	-	-	3,374,860
Intergovernmental	1,227,738	-	-	-	1,227,738
Total Expenditures	46,560,458	-	2,925,898	3,810,104	53,296,460
Excess (Deficiency) of Revenues Over Expenditures	637,380	168	(2,925,898)	637,804	(1,650,546)
Other Financing Sources (Uses)					
Transfers in	6,094	-	-	33,243	39,337
Transfers out	(136,743)	-	-	(6,094)	(142,837)
Total Other Financing Sources (Uses)	(130,649)	-	-	27,149	(103,500)
Change in Fund Balance	506,731	168	(2,925,898)	664,953	(1,754,046)
Fund Balance at Beginning of Year	5,346,042	56,095	3,445,567	4,584,295	13,431,999
Fund Balance at End of Year	\$ 5,852,773	\$ 56,263	\$ 519,669	\$ 5,249,248	\$ 11,677,953

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

TOWN OF UXBRIDGE, 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	\$ (1,754,046)																								
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital outlay</td><td style="text-align: right;">4,170,422</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(2,734,115)</td></tr> </table> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Repayments of debt</td><td style="text-align: right;">2,175,000</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 unavailable revenue. <table> <tr> <td></td><td style="text-align: right;">(11,712)</td></tr> </table> Receipt of MSBA grant previously recognized at the government-wide level. <table> <tr> <td></td><td style="text-align: right;">(1,252,867)</td></tr> </table> In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. This amount reflects the change in accrued interest. <table> <tr> <td></td><td style="text-align: right;">148,180</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>Amortization of bond premiums</td><td style="text-align: right;">95,335</td></tr> <tr> <td>Amortization of loss on refunding bonds</td><td style="text-align: right;">(19,250)</td></tr> <tr> <td>Net pension liability and related deferred outflows and inflows of resources</td><td style="text-align: right;">(1,440,554)</td></tr> <tr> <td>Net OPEB liability and related deferred outflows and inflows of resources</td><td style="text-align: right;">(2,771,755)</td></tr> <tr> <td>Change in accrued employee benefits</td><td style="text-align: right;">(33,739)</td></tr> <tr> <td>Change in landfill closure and postclosure care costs</td><td style="text-align: right;">24,550</td></tr> </table> 	Capital outlay	4,170,422	Depreciation	(2,734,115)	Repayments of debt	2,175,000		(11,712)		(1,252,867)		148,180	Amortization of bond premiums	95,335	Amortization of loss on refunding bonds	(19,250)	Net pension liability and related deferred outflows and inflows of resources	(1,440,554)	Net OPEB liability and related deferred outflows and inflows of resources	(2,771,755)	Change in accrued employee benefits	(33,739)	Change in landfill closure and postclosure care costs	24,550	
Capital outlay	4,170,422																								
Depreciation	(2,734,115)																								
Repayments of debt	2,175,000																								
	(11,712)																								
	(1,252,867)																								
	148,180																								
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Net pension liability and related deferred outflows and inflows of resources	(1,440,554)																								
Net OPEB liability and related deferred outflows and inflows of resources	(2,771,755)																								
Change in accrued employee benefits	(33,739)																								
Change in landfill closure and postclosure care costs	24,550																								
Change in net position of governmental activities	\$ <u>(3,404,551)</u>																								

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

TOWN OF UXBRIDGE, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Transfers In				
Property taxes	\$ 27,792,639	\$ 28,451,292	\$ 28,615,522	\$ 164,230
Excise taxes	1,914,078	1,914,078	2,067,814	153,736
Interest, penalties, and other taxes	76,046	76,046	153,960	77,914
Fines and forfeitures	90,000	90,000	108,304	18,304
Departmental	756,339	756,339	967,012	210,673
Licenses and permits	290,000	290,000	581,523	291,523
Intergovernmental	11,733,927	11,733,927	11,956,767	222,840
Investment income	24,000	24,000	61,508	37,508
Miscellaneous	261,889	261,889	246,629	(15,260)
Transfers in	<u>1,587,887</u>	<u>2,677,525</u>	<u>2,683,619</u>	<u>6,094</u>
Total Revenues and Transfers In	44,526,805	46,275,096	47,442,658	1,167,562
Expenditures and Transfers Out				
General government	1,467,676	1,726,329	1,626,640	99,689
Public safety	3,783,664	3,783,664	3,745,216	38,448
Education	23,408,041	23,468,041	23,459,899	8,142
Public works	1,367,657	1,764,657	1,690,129	74,528
Health and human services	542,491	542,491	525,523	16,968
Culture and recreation	390,528	390,528	390,482	46
Employee benefits	7,380,519	7,380,519	7,298,867	81,652
Capital outlay	257,500	1,298,138	1,244,027	54,111
Debt service	4,606,649	4,606,649	4,587,348	19,301
Intergovernmental	1,238,837	1,238,837	1,227,738	11,099
Transfers out	<u>83,243</u>	<u>1,133,238</u>	<u>1,133,238</u>	<u>-</u>
Total Expenditures and Transfers Out	<u>44,526,805</u>	<u>47,333,091</u>	<u>46,929,107</u>	<u>403,984</u>
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	-	(1,057,995)	513,551	1,571,546
Other Financing Sources				
Use of free cash:				
For stabilization account funding	-	1,049,995	-	(1,049,995)
Use of overlay surplus	<u>-</u>	<u>8,000</u>	<u>-</u>	<u>(8,000)</u>
Total Other Financing Sources	<u>-</u>	<u>1,057,995</u>	<u>-</u>	<u>(1,057,995)</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 513,551</u>	<u>\$ 513,551</u>

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

TOWN OF UXBRIDGE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Business-Type Activities Enterprise Funds			
	Water Fund	Sewer Fund	Nonmajor Fund	Total
Assets				
Current:				
Cash	\$ 3,890,993	\$ 2,492,318	\$ 160,390	\$ 6,543,701
Receivables, net of allowance for uncollectibles:				
User fees	168,945	231,171	-	400,116
Intergovernmental	-	1,713,391	-	1,713,391
Betterments	-	1,176	-	1,176
Total current assets	4,059,938	4,438,056	160,390	8,658,384
Noncurrent:				
Receivables, net of allowance for uncollectibles:				
Intergovernmental	713,196	-	-	713,196
Betterments	-	5,221	-	5,221
Capital assets being depreciated, net	12,343,895	3,752,946	147,147	16,243,988
Capital assets not being depreciated	2,871,761	15,179,396	-	18,051,157
Total noncurrent assets	15,928,852	18,937,563	147,147	35,013,562
Deferred Outflows of Resources				
Related to pensions	83,501	130,688	5,425	219,614
Related to OPEB	15,771	26,284	7,885	49,940
Total Assets and Deferred Outflows of Resources	20,088,062	23,532,591	320,847	43,941,500
Liabilities				
Current:				
Warrants payable	14,584	2,464,696	1,775	2,481,055
Accrued liabilities	94,968	469,664	2,092	566,724
Notes payable	-	9,868,789	-	9,868,789
Current portion of long-term liabilities:				
Bonds payable	664,228	93,250	-	757,478
Accrued employee benefits	5,656	7,093	1,455	14,204
Total current liabilities	779,436	12,903,492	5,322	13,688,250
Noncurrent:				
Bonds payable, net of current portion	8,596,146	2,032,100	-	10,628,246
Accrued employee benefits, net of current portion	107,456	134,759	27,646	269,861
Net pension liability	731,888	1,145,502	47,556	1,924,946
Net OPEB liability	468,845	781,409	234,423	1,484,677
Total noncurrent liabilities	9,904,335	4,093,770	309,625	14,307,730
Deferred Inflows of Resources				
Related to pensions	48,814	76,399	3,172	128,385
Other	169,400	-	-	169,400
Total Liabilities and Deferred Inflows of Resources	10,901,985	17,073,661	318,119	28,293,765
Net Position				
Net investment in capital assets	6,906,397	7,011,685	147,147	14,065,229
Unrestricted	2,279,680	(552,755)	(144,419)	1,582,506
Total Net Position	\$ 9,186,077	\$ 6,458,930	\$ 2,728	\$ 15,647,735

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

TOWN OF UXBRIDGE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities Enterprise Funds			
	Water Fund	Sewer Fund	Nonmajor Fund	Total
Operating Revenues				
Charges for services	\$ 2,140,367	\$ 2,882,816	\$ 192,900	\$ 5,216,083
Total Operating Revenues	2,140,367	2,882,816	192,900	5,216,083
Operating Expenses				
Salaries and benefits	658,025	774,734	158,995	1,591,754
Other operating expenses	427,544	849,969	73,912	1,351,425
Depreciation	266,757	396,818	78,961	742,536
Total Operating Expenses	1,352,326	2,021,521	311,868	3,685,715
Operating Income (Loss)	788,041	861,295	(118,968)	1,530,368
Nonoperating Revenues (Expenses)				
Betterments	-	407	-	407
Intergovernmental	26,388	45,017	-	71,405
Interest expense	(271,216)	(62,667)	-	(333,883)
Total Nonoperating Revenues (Expenses), Net	(244,828)	(17,243)	-	(262,071)
Income (Loss) Before Transfers	543,213	844,052	(118,968)	1,268,297
Transfers				
Transfers in	103,500	-	-	103,500
Change in Net Position	646,713	844,052	(118,968)	1,371,797
Net Position at Beginning of Year, as restated	8,539,364	5,614,878	121,696	14,275,938
Net Position at End of Year	\$ 9,186,077	\$ 6,458,930	\$ 2,728	\$ 15,647,735

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

TOWN OF UXBRIDGE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities Enterprise Funds			
	Water Fund	Sewer Fund	Nonmajor Funds	Total
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 2,123,690	\$ 2,829,604	\$ 192,900	\$ 5,146,194
Payments to vendors and employees	(1,003,268)	1,068,865	(220,978)	(155,381)
Net Cash Provided By (Used For) Operating Activities	1,120,422	3,898,469	(28,078)	4,990,813
Cash Flows From Noncapital Financing Activities				
Transfers in	103,500	-	-	103,500
Net Cash Provided By Noncapital Financing Activities	103,500	-	-	103,500
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(28,696)	(10,966,416)	-	(10,995,112)
Principal payments on general obligation bonds	(668,876)	(170,000)	-	(838,876)
Proceeds from notes	-	8,155,398	-	8,155,398
Intergovernmental revenue	26,388	340,100	-	366,488
Betterments	-	407	-	407
Interest expense	(280,866)	(92,746)	-	(373,612)
Net Cash (Used For) Capital and Related Financing Activities	(952,050)	(2,733,257)	-	(3,685,307)
Net Change in Cash and Short-Term Investments	271,872	1,165,212	(28,078)	1,409,006
Cash and Short-Term Investments, Beginning of Year	3,619,121	1,327,106	188,468	5,134,695
Cash and Short-Term Investments, End of Year	\$ 3,890,993	\$ 2,492,318	\$ 160,390	\$ 6,543,701
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used for) Operating Activities:				
Operating income (loss)	\$ 788,041	\$ 861,295	\$ (118,968)	\$ 1,530,368
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	266,757	396,818	78,961	742,536
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees receivable	(16,677)	(53,212)	-	(69,889)
Deferred outflows of resources:				
Related to pensions	52,764	82,586	3,429	138,779
Related to OPEB	(15,771)	(26,284)	(7,885)	(49,940)
Warrants payable	6,267	2,172,906	(2,956)	2,176,217
Accrued liabilities	5,169	425,949	221	431,339
Other liabilities	8,698	(4,312)	3,248	7,634
Net pension liability	(44,340)	(69,397)	(2,881)	(116,618)
Net OPEB liability	32,723	54,539	16,362	103,624
Deferred inflows of resources:				
Related to pensions	36,791	57,581	2,391	96,763
Net Cash Provided By (Used For) Operating Activities	\$ 1,120,422	\$ 3,898,469	\$ (28,078)	\$ 4,990,813
Noncash Investing, Capital, and Financing Activities				
Loan drawdown not yet received	\$ -	\$ 1,713,391	\$ -	\$ 1,713,391
Net Noncash Investing, Capital, and Financing Activities	\$ -	\$ 1,713,391	\$ -	\$ 1,713,391

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

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

	Other Post- Employment Benefits <u>Trust Fund</u>	Agency <u>Funds</u>
Assets		
Cash and short-term investments	\$ -	\$ 327,935
Investments	268,640	-
Accounts receivable	<u>-</u>	<u>116,721</u>
Total Assets	268,640	444,656
Liabilities		
Warrants payable	-	72
Accrued liabilities	-	16,700
Performance bonds	-	160,169
Other liabilities	<u>-</u>	<u>267,715</u>
Total Liabilities	<u>-</u>	<u>\$ 444,656</u>
Net Position		
Restricted for other post-employment benefits	<u>268,640</u>	
Total Net Position	<u>\$ 268,640</u>	

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

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

	Other Post- Employment Benefits <u>Trust Fund</u>
Additions	
Contributions	\$ 1,626,106
Investment income	<u>6,708</u>
Total additions	1,632,814
Deductions	
Benefit payments	<u>1,576,106</u>
Total deductions	<u>1,576,106</u>
Change in net position	56,708
Net position restricted for other post-employment benefits	
Beginning of year	<u>211,932</u>
End of year	<u><u>\$ 268,640</u></u>

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

TOWN OF UXBRIDGE, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the 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 government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, 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 *High School Construction Fund* accounts for the construction costs related to the new Uxbridge High School.
- The *Fire Station Construction Fund* accounts for the construction costs related to the new Uxbridge Fire Station.

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

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

The Town reports the following major proprietary funds:

- The *Water Fund* is used to report the Town's water treatment and distribution systems.
- The *Sewer Fund* is used to report the Town's sewer treatment and collection systems.

In addition, the Town operates a cable enterprise fund, which is reported as a nonmajor 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 *Other Post-Employment Benefits Trust Fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *Agency Funds* are custodial in nature and is used to account for funds held for others. Agency Funds report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-term Investments

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

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

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

E. Investments

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

Investments for the trust funds consist of corporate bonds, common equities, certificates of deposit, and federal agency securities 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 \$107,728.

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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	7 - 40
Machinery, equipment, and furnishings	3 - 25
Infrastructure	30

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

K. Use of Estimates

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

2. **Stewardship, Compliance, and Accountability**

A. Budgetary Information

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

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

Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

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)	\$ 47,197,838	\$ 46,560,458
Other Financing Sources/Uses (GAAP Basis)	<u>6,094</u>	<u>136,743</u>
Subtotal (GAAP Basis)	47,203,932	46,697,201
Reverse beginning of year appropriation carryforwards from expenditures	-	(438,197)
Add end-of-year appropriation carryforwards from expenditures	-	367,307
To reverse unbudgeted MTRS contributions from the Commonwealth	(2,335,086)	(2,335,086)
To reverse stabilization activity	985,925	1,049,995
Reclass enterprise fund indirect costs to budgetary basis	<u>1,587,887</u>	<u>1,587,887</u>
Budgetary Basis	<u>\$ 47,442,658</u>	<u>\$ 46,929,107</u>

D. Deficit Fund Equity

The Town's special revenue and enterprise funds reflect various individual deficit fund balance accounts, which will be funded by future intergovernmental receipts, transfers from other funds, or potential rate increases.

3. Cash and Short-Term Investments

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

As of June 30, 2018, \$1,144,171 of the Town's bank balance of \$23,580,921 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 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>Average Rating as of Year-end AAA</u>
Federal agency securities	\$ 1,215,597	\$ -	\$ 1,215,597
Certificates of deposits	3,626,989	3,626,989	-
Equity securities	1,924,741	1,924,741	-
Total investments	<u>\$ 6,767,327</u>	<u>\$ 5,551,730</u>	<u>\$ 1,215,597</u>

B. Custodial Credit Risk

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

All of the Town's investment of \$6,767,327 has a custodial credit risk exposure because the related securities are uninsured and unregistered and held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer.

As of June 30, 2018, the Town did not have and investments in any one issuer (other than Federal agency securities) that represent 5.00% or more of total investments.

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 is to follow state statutes, which limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

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

<u>Investment Type</u>	<u>Investment Maturities</u> <u>(in Years)</u>	
	<u>Amount</u>	<u>1-5</u>
Debt-related Securities:		
Federal agency securities	\$ <u>1,215,597</u>	\$ <u>1,215,597</u>
Total	\$ <u><u>1,215,597</u></u>	\$ <u><u>1,215,597</u></u>

E. Foreign Currency Risk

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

F. Fair Value

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

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

Fair Value Measurements Using:				
Description		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Debt securities:				
Federal agency securities	\$ 1,215,597	\$ -	\$ 1,215,597	\$ -
Equity securities	<u>1,924,741</u>	<u>1,924,741</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,140,338</u>	<u>\$ 1,924,741</u>	<u>\$ 1,215,597</u>	<u>\$ -</u>

5. Property Taxes and Motor Vehicle Excise Receivable

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

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

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25.00 per \$1,000 of value.

Property taxes and motor vehicle excise receivables (net of allowance for uncollectible accounts) at June 30, 2018 consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 112,445	\$ (57,769)	\$ 54,676
Personal property taxes	138,417	(123,438)	14,979
Tax liens	<u>947,319</u>	<u>(94,732)</u>	<u>852,587</u>
Total property taxes	\$ <u>1,198,181</u>	\$ <u>(275,939)</u>	922,242
Less: current portion			<u>(69,655)</u>
Noncurrent taxes receivable			\$ <u>852,587</u>
Motor vehicle excise	\$ 320,556	\$ (132,418)	\$ 188,138

6. User Fee Receivables

The Town provides water and sewer services for its residents and commercial users. Water and sewer bills are sent out every quarter, based on consumption. Receivables for user fees (net of allowance for uncollectible accounts) at June 30, 2018 consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Water	\$ 197,754	\$ (28,809)	\$ 168,945
Sewer	<u>266,880</u>	<u>(35,709)</u>	<u>231,171</u>
Total	\$ <u>464,634</u>	\$ <u>(64,518)</u>	\$ <u>400,116</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal year 2018.

8. Interfund Transfers In and Out

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

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 6,094	\$ 136,743
Nonmajor Governmental Funds:		
Unemployment compensation fund	33,243	-
Technology sustainability fund	-	5,694
Mass Ext polling fund	-	400
Major Enterprise Funds:		
Water Fund	<u>103,500</u>	<u>-</u>
Total	<u>\$ 142,837</u>	<u>\$ 142,837</u>

The Town's routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them. Of the \$136,743 transfer out of the general fund, \$33,243 is to the unemployment compensation fund to fund unemployment claims. The transfer out of the general fund to the water fund is to subsidize debt service payments.

9. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 83,276,926	\$ 82,762	\$ -	\$ 83,359,688
Machinery, equipment, and furnishings	7,803,439	528,944	-	8,332,383
Infrastructure	<u>20,499,684</u>	<u>530,818</u>	<u>-</u>	<u>21,030,502</u>
Total capital assets, being depreciated	111,580,049	1,142,524	-	112,722,573
Less accumulated depreciation for:				
Buildings and improvements	(27,452,149)	(1,777,924)	-	(29,230,073)
Machinery, equipment, and furnishings	(5,825,087)	(490,942)	-	(6,316,029)
Infrastructure	<u>(16,342,442)</u>	<u>(465,249)</u>	<u>-</u>	<u>(16,807,691)</u>
Total accumulated depreciation	<u>(49,619,678)</u>	<u>(2,734,115)</u>	<u>-</u>	<u>(52,353,793)</u>
Total capital assets, being depreciated, net	61,960,371	(1,591,591)	-	60,368,780
Capital assets, not being depreciated:				
Land	5,911,754	102,000	-	6,013,754
Construction in progress	<u>5,972,091</u>	<u>2,925,898</u>	<u>-</u>	<u>8,897,989</u>
Total capital assets, not being depreciated	<u>11,883,845</u>	<u>3,027,898</u>	<u>-</u>	<u>14,911,743</u>
Governmental activities capital assets, net	<u>\$ 73,844,216</u>	<u>\$ 1,436,307</u>	<u>\$ -</u>	<u>\$ 75,280,523</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	\$ 6,696,424	\$ -	\$ -	\$ 6,696,424
Machinery, equipment, and furnishings	4,082,526	-	-	4,082,526
Infrastructure	<u>23,468,717</u>	<u>187,196</u>	<u>-</u>	<u>23,655,913</u>
Total capital assets, being depreciated	34,247,667	187,196	-	34,434,863
Less accumulated depreciation for:				
Buildings and improvements	(5,802,656)	(177,194)	-	(5,979,850)
Machinery, equipment, and furnishings	(2,899,544)	(231,723)	-	(3,131,267)
Infrastructure	<u>(8,746,139)</u>	<u>(333,619)</u>	<u>-</u>	<u>(9,079,758)</u>
Total accumulated depreciation	<u>(17,448,339)</u>	<u>(742,536)</u>	<u>-</u>	<u>(18,190,875)</u>
Total capital assets, being depreciated, net	16,799,328	(555,340)	-	16,243,988
Capital assets, not being depreciated:				
Land	1,359,520	-	-	1,359,520
Construction in progress	<u>5,883,721</u>	<u>10,807,916</u>	<u>-</u>	<u>16,691,637</u>
Total capital assets, not being depreciated	<u>7,243,241</u>	<u>10,807,916</u>	<u>-</u>	<u>18,051,157</u>
Business-type activities capital assets, net	<u>\$ 24,042,569</u>	<u>\$ 10,252,576</u>	<u>\$ -</u>	<u>\$ 34,295,145</u>

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

Governmental Activities:

General government	\$ 81,925
Public safety	319,971
Education	1,783,907
Public works	506,002
Health and human services	5,728
Culture and recreation	<u>36,582</u>
Total depreciation expense - governmental activities	<u>\$ 2,734,115</u>

Business-Type Activities:

Water	\$ 266,757
Sewer	396,818
Cable	<u>78,961</u>
Total depreciation expense - business-type activities	<u>\$ 742,536</u>

10. 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 and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

Other governmental activities deferred outflows of resources of \$134,750 resulted from the loss on prior year debt refundings that will be amortized over the life of the new bonds.

11. Warrants Payable

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

12. Accrued Liabilities

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

13. Notes Payable

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

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
<u>Business-Type Activities:</u>							
Wastewater treatment plant infrastructure upgrades	0.00%	09/06/17	Upon completion	\$ -	\$ 9,868,789	\$ -	\$ 9,868,789

14. 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>			
High School construction	08/15/30	2.50 - 5.00%	\$ 14,365,000
School refunding	11/15/18	2.00 - 5.00%	600,000
Fire department I	11/15/20	2.00 - 5.00%	60,000
Fire department II	11/15/21	2.00 - 5.00%	62,500
DPW equipment	11/15/21	2.00 - 5.00%	77,500
School	11/15/31	2.00 - 5.00%	155,000
High School athletic fields	11/15/34	2.00 - 3.00%	1,700,000
Fire department equipment	11/15/21	2.00 - 3.00%	120,000
High School	08/15/36	2.00 - 4.00%	1,182,000
Fire station	08/15/36	2.00 - 4.00%	7,618,000
Taft School roof (advance refunding)	04/01/28	4.00%	42,000
Land acquisition I (advance refunding)	04/01/28	4.00%	394,500
Land acquisition II (advance refunding)	04/01/28	4.00%	264,900
Total Governmental Activities			<u>\$ 26,641,400</u>

	Serial Maturities Through	Interest Rate(s)	Amount Outstanding as of 6/30/18
<u>Business-Type Activities:</u>			
Sewer	08/15/36	2.00 - 4.00%	\$ 1,950,000
Wastewater treatment facility (advance refunding)	04/01/28	4.00%	175,350
Water	11/15/31	2.00 - 5.00%	2,475,000
Water (current refunding)	11/15/23	2.00 - 3.00%	630,000
Water land purchase	11/15/24	2.00 - 3.00%	535,000
Water (advance refunding)	04/01/28	4.00%	2,563,250
MCWT Water (DW-14-12)	01/15/37	2.00%	3,057,124
Total Business-Type Activities			<u>\$ 11,385,724</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	\$	2,349,200	\$ 968,912	\$ 3,318,112
2020		1,544,800	902,769	2,447,569
2021		1,589,800	845,627	2,435,427
2022		1,604,800	783,620	2,388,420
2023		1,584,800	720,191	2,304,991
2024 - 2028		8,663,000	2,475,066	11,138,066
2029 - 2033		6,940,000	763,196	7,703,196
2034 - 2037		2,365,000	119,388	2,484,388
Total	\$	<u>26,641,400</u>	<u>\$ 7,578,769</u>	<u>\$ 34,220,169</u>

The general fund has been designated as the source 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	\$ 757,478	\$ 331,090	\$ 1,088,568
2020	774,740	307,900	1,082,640
2021	797,664	282,451	1,080,115
2022	820,651	256,299	1,076,950
2023	843,704	231,390	1,075,094
2024 - 2028	3,917,680	772,179	4,689,859
2029 - 2033	2,227,582	277,901	2,505,483
2034 - 2037	1,246,225	63,721	1,309,946
Total	\$ <u>11,385,724</u>	\$ <u>2,522,931</u>	\$ <u>13,908,655</u>

C. Changes in General Long-Term Liabilities

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

	Total Balance <u>7/1/17</u>	<u>Additions</u>	<u>Reductions</u>	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	\$ 28,816,400	\$ -	\$ (2,175,000)	\$ 26,641,400	\$ (2,349,200)	\$ 24,292,200
Unamortized bond premiums	<u>777,014</u>	<u>-</u>	<u>(95,335)</u>	<u>681,679</u>	<u>(92,921)</u>	<u>588,758</u>
Total bonds payable	29,593,414	-	(2,270,335)	27,323,079	(2,442,121)	24,880,958
Accrued employee benefits	1,899,250	102,587	(68,848)	1,932,989	(96,649)	1,836,340
Landfill closure and postclosure care costs	210,450	-	(24,550)	185,900	-	185,900
Net pension liability	24,729,664	-	(1,412,592)	23,317,072	-	23,317,072
Net OPEB liability ⁽¹⁾	<u>71,305,975</u>	<u>5,350,244</u>	<u>-</u>	<u>76,656,219</u>	<u>-</u>	<u>76,656,219</u>
Totals	\$ <u>127,738,753</u>	\$ <u>5,452,831</u>	\$ <u>(3,776,325)</u>	\$ <u>129,415,259</u>	\$ <u>(2,538,770)</u>	\$ <u>126,876,489</u>

⁽¹⁾As restated for implementation of GASB 75.

	Total Balance <u>7/1/17</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/18</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/18</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 12,224,600	\$ -	\$ (838,876)	\$ 11,385,724	\$ (757,478)	\$ 10,628,246
Accrued employee benefits	276,431	21,856	(14,222)	284,065	(14,204)	269,861
Net pension liability	2,041,564	-	(116,618)	1,924,946	-	1,924,946
Net OPEB liability ⁽¹⁾	<u>1,381,053</u>	<u>103,624</u>	<u>-</u>	<u>1,484,677</u>	<u>-</u>	<u>1,484,677</u>
Totals	\$ <u>15,923,648</u>	\$ <u>125,480</u>	\$ <u>(969,716)</u>	\$ <u>15,079,412</u>	\$ <u>(771,682)</u>	\$ <u>14,307,730</u>

⁽¹⁾As restated for implementation of GASB 75.

15. Landfill Closure and Postclosure Care Costs

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

The \$185,900 reported as landfill postclosure care liability at June 30, 2018 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2018. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

16. Deferred Inflows of Resources

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

The following is a summary of other deferred inflows of resources as of June 30, 2018:

	Entity-wide Basis		Fund Basis	
	Governmental Activities	Business-type Activities	Governmental Funds General Fund	Proprietary Funds Water
Unavailable property taxes	\$ -	\$ -	\$ 1,198,180	\$ -
Unavailable excises	-	-	320,554	-
Unavailable ambulance charges	-	-	194,447	-
Gains on refunding bonds	-	169,400	-	169,400
Total	\$ -	\$ 169,400	\$ 1,713,181	\$ 169,400

Unavailable revenues are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

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

17. Governmental Funds - Balances

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

The Town 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 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 various special revenue funds, capital projects funded by bond proceeds, 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 vote). This fund balance classification includes general fund non-lapsing special article appropriations approved at Town Meeting and capital stabilization accounts.

Unassigned - Represents amounts that are available to be spent in future periods, general stabilization balances, and deficit funds.

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

	General Fund	High School Construction Fund	Fire Station Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 186,721	\$ 186,721
Total Nonexpendable	-	-	-	186,721	186,721
Restricted					
Thayer Library	-	-	-	1,371,829	1,371,829
School Choice	-	-	-	878,814	878,814
Circuit Breaker (Special Education)	-	-	-	725,203	725,203
Daycare revolving	-	-	-	287,881	287,881
Dog Park Donations	-	-	-	214,336	214,336
Athletics revolving	-	-	-	161,807	161,807
Preschool revolving	-	-	-	133,301	133,301
School transportation	-	-	-	129,939	129,939
Other special revenue funds	-	-	-	926,485	926,485
Capital projects	-	-	519,669	898	520,567
Expendable permanent funds	-	-	-	366,770	366,770
Total Restricted	-	-	519,669	5,197,263	5,716,932
Committed					
Capital articles	621,761	-	-	-	621,761
Capital Stabilization	2,664	-	-	-	2,664
Total Committed	624,425	-	-	-	624,425
Unassigned					
General Fund	1,882,552	-	-	-	1,882,552
General Stabilization	3,345,796	-	-	-	3,345,796
Deficit balances	-	56,263	-	(134,736)	(78,473)
Total Unassigned	5,228,348	56,263	-	(134,736)	5,149,875
Total Fund Balance	\$ 5,852,773	\$ 56,263	\$ 519,669	\$ 5,249,248	\$ 11,677,953

18. 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 Worcester Regional 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 23 Midstate Drive, Suite 106, Midstate Office Park, Auburn, MA 01501.

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

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

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

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

Participant Refunds

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

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 \$1,566,330, 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 \$25,242,018 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, 2016. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, the Town's proportion was 3.095555%.

For the year ended June 30, 2018, the Town recognized pension expense of \$3,125,808. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 167,920	\$ -
Changes of assumptions	2,405,490	-
Net difference between projected and actual earnings on pension plan investments	-	(787,054)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>306,417</u>	<u>(896,470)</u>
Total	<u>\$ 2,879,827</u>	<u>\$ (1,683,524)</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	\$ 504,178
2020	501,409
2021	229,874
2022	64,629
Thereafter	<u>(103,787)</u>
Total	<u>\$ 1,196,303</u>

D. Actuarial Assumptions

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00% per year
Salary increases	Group 1: 4.25 - 6.00%, based on service Group 4: 4.75 - 7.00%, based on service
Remaining amortization period	19 years
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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

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

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

arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	40.00%	4.91%
Fixed income	22.00%	2.04%
Private equity	11.00%	6.50%
Real estate	10.00%	3.70%
Timber/Natural resources	4.00%	3.25%
Hedge funds	13.00%	3.40%
Total	<u>100.00%</u>	

E. Discount Rate

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

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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>
\$ 30,764,591	\$ 25,242,018	\$ 20,578,170

G. Pension Plan Fiduciary Net Position

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

19. **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 five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten

years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

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

C. Contributions

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

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

D. Actuarial Assumptions

The total pension liability for the June 30, 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.
- 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 the RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 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%	3.60%
Core fixed income	12.00%	1.10%
Private equity	11.00%	6.60%
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):

1% Decrease to <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase to <u>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 actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by *GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68)* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

H. Town Proportions

In fiscal year 2017 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the Town was \$43,252,690 and \$4,514,409 respectively, based on a proportionate share of 0.188997%. As required by GASB 68, the Town has recognized its portion of the 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.

20. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2015, the Town established an OPEB Trust Fund to provide funding for future employee health care costs.

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 Town provides health insurance coverage through Tufts and Fallon Community Health. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

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	164
Active employees	<u>300</u>
Total	<u>464</u>

B. Investments

The OPEB trust fund assets consist of equities and fixed income instruments.

Rate of return. For the year ended December 31, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 3.20%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Salary increases	3.00%
Investment rate of return	3.13%
Municipal bond rate	2.98%
Healthcare cost trend rates	8.00% for 2017, fluctuating 0.50% to an ultimate rate of 5.00% in six years
Retirees' share of benefit-related costs	20.00%

Mortality rates were based on the RP-2014 mortality table with MP-2016 projection.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table.

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

D. Discount Rate

The discount rate used to measure the net OPEB liability was 2.98%. 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.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments

of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 3.13% and municipal bond rate of 2.98% (based on index provided by the S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2018).

E. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2018, were as follows:

Total OPEB liability	\$ 78,409,536
Plan fiduciary net position	<u>(268,640)</u>
Net OPEB liability	<u>\$ 78,140,896</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.34%

F. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 72,898,960	\$ 211,932	\$ 72,687,028
Changes for the year:			
Service cost	2,204,450	-	2,204,450
Interest	2,253,803	-	2,253,803
Contributions - employer	-	1,626,106	(1,626,106)
Net investment income	-	6,708	(6,708)
Differences between expected and actual experience	757,841	-	757,841
Changes in assumptions or other inputs	1,870,588	-	1,870,588
Benefit payments	<u>(1,576,106)</u>	<u>(1,576,106)</u>	<u>-</u>
Net Changes	<u>5,510,576</u>	<u>56,708</u>	<u>5,453,868</u>
Balances, end of year	<u>\$ 78,409,536</u>	<u>\$ 268,640</u>	<u>\$ 78,140,896</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.50% in 2017 to 3.13% in 2018.

G. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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

1% Decrease <u>(1.98%)</u>	Current Discount Rate <u>(2.98%)</u>	1% Increase <u>(3.98%)</u>
\$ 90,660,632	\$ 78,140,896	\$ 65,721,160

H. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it as 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% <u>Decrease</u>	Current Healthcare Cost Trend Rates	1% <u>Increase</u>
\$ 63,670,264	\$ 78,140,896	\$ 95,796,340

I. 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 \$4,347,037. At June 30, 2018, the Town reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Change in assumptions	\$ 2,628,429

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

<u>Year Ended June 30:</u>	
2019	\$ 219,035
2020	219,035
2021	219,035
2022	219,035
2023	219,035
Thereafter	<u>1,533,254</u>
Total	<u>\$ 2,628,429</u>

21. Commitments and Contingencies

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

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

22. Beginning Net Position Restatement

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

Government-Wide Financial Statements:

	Governmental Activities	Business-Type Activities Enterprise Funds			Total Business-Type Enterprise Funds
		Water Fund	Sewer Fund	Nonmajor Fund	
As previously reported	\$ 9,491,344	\$ 8,804,486	\$ 6,056,748	\$ 253,757	\$ 15,114,991
Implementation of GASB 75 for OPEB	<u>(43,327,975)</u>	<u>(265,122)</u>	<u>(441,870)</u>	<u>(132,061)</u>	<u>(839,053)</u>
As restated	<u>\$ (33,836,631)</u>	<u>\$ 8,539,364</u>	<u>\$ 5,614,878</u>	<u>\$ 121,696</u>	<u>\$ 14,275,938</u>

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

Worcester Regional 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	3.095555%	\$ 25,242,018	\$ 7,722,133	326.88%		46.40%	
June 30, 2017	December 31, 2016	3.196207%	\$ 26,771,228	\$ 8,396,584	318.83%		42.00%	
June 30, 2016	December 31, 2015	3.124476%	\$ 22,177,748	\$ 7,741,396	286.48%		44.52%	
June 30, 2015	December 31, 2014	3.229416%	\$ 19,217,213	\$ 7,443,650	258.17%		47.94%	

Massachusetts Teachers' Retirement System								
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability 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	0.188997%	\$ -	\$ 43,252,690	\$ 43,252,690	\$ 12,833,781	0.00%	54.25%
June 30, 2017	June 30, 2016	0.176311%	\$ -	\$ 39,419,443	\$ 39,419,443	\$ 11,597,129	0.00%	52.73%
June 30, 2016	June 30, 2015	0.184917%	\$ -	\$ 37,888,740	\$ 37,888,740	\$ 11,721,682	0.00%	55.38%
June 30, 2015	June 30, 2014	0.196319%	\$ -	\$ 31,207,624	\$ 31,207,624	\$ 12,037,288	0.00%	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 UXBRIDGE, MASSACHUSETTS
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018
(Unaudited)

Worcester Regional 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	\$ 1,566,330	\$ 1,566,330	\$ -	\$ 7,722,133	20.28%
June 30, 2017	December 31, 2016	\$ 1,552,552	\$ 1,552,552	\$ -	\$ 8,396,584	18.49%
June 30, 2016	December 31, 2015	\$ 1,405,578	\$ 1,405,578	\$ -	\$ 7,741,396	18.16%
June 30, 2015	December 31, 2014	\$ 1,276,234	\$ 1,276,234	\$ -	\$ 7,443,650	17.15%

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	\$ 2,335,086	\$ 2,335,086	\$ -	\$ 12,833,781	18.19%
June 30, 2017	June 30, 2016	\$ 1,982,761	\$ 1,982,761	\$ -	\$ 11,597,129	17.10%
June 30, 2016	June 30, 2015	\$ 1,889,718	\$ 1,889,718	\$ -	\$ 11,721,682	16.12%
June 30, 2015	June 30, 2014	\$ 1,840,257	\$ 1,840,257	\$ -	\$ 12,037,288	17.15%

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

See Independent Auditors' Report.

TOWN OF UXBRIDGE, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (GASB 74 AND 75)
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 2,204,450	\$ 2,137,545
Interest on unfunded liability - time value of money	2,253,803	2,259,334
Differences between expected and actual experience	757,841	-
Changes of assumptions	1,870,588	-
Benefit payments, including refunds of member contributions	<u>(1,576,106)</u>	<u>(1,543,566)</u>
Net change in total OPEB liability	5,510,576	2,853,313
Total OPEB liability - beginning	<u>72,898,960</u>	<u>70,045,647</u>
Total OPEB liability - ending (a)	78,409,536	72,898,960
Plan fiduciary net position		
Contributions - employer	1,626,106	1,598,566
Contributions - member	-	-
Net investment income	6,708	1,932
Benefit payments, including refunds of member contributions	(1,576,106)	(1,543,566)
Administrative expense	-	-
Other	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	56,708	56,932
Plan fiduciary net position - beginning	<u>211,932</u>	<u>155,000</u>
Plan fiduciary net position - ending (b)	<u>268,640</u>	<u>211,932</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 78,140,896</u>	<u>\$ 72,687,028</u>

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

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

See Independent Auditors' Report.

TOWN OF UXBRIDGE, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS (GASB 74 AND 75)
(Unaudited)

Schedule of Net OPEB Liability

	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 78,409,536	\$ 72,898,960
Plan fiduciary net position	<u>(268,640)</u>	<u>(211,932)</u>
Net OPEB liability (asset)	<u>\$ 78,140,896</u>	<u>\$ 72,687,028</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.34%	0.29%

Schedule of Contributions

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 4,458,253	\$ 4,395,732
Contributions in relation to the actuarially determined contribution	<u>1,683,614</u>	<u>1,543,566</u>
Contribution deficiency (excess)	<u>\$ 2,774,639</u>	<u>\$ 2,852,166</u>

Schedule of Investment Returns

	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	3.20%	1.89%

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

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

See Independent Auditors' Report.