

TOWN OF WEST BOYLSTON, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2018

TOWN OF WEST BOYLSTON, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	10
Statement of net position	11
Statement of activities	12
Governmental funds – balance sheet	14
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position	15
Governmental funds – statement of revenues, expenditures and changes in fund balances	16
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities.....	17
Proprietary funds – statement of net position	18
Proprietary funds – statement of revenues, expenses and changes in net position	19
Proprietary funds – statement of cash flows	20
Fiduciary funds – statement of fiduciary net position	21
Fiduciary funds – statement of changes in fiduciary net position	22
Notes to basic financial statements.....	23
Required Supplementary Information	64
General Fund Budgetary Schedule.....	65
Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual	66
Pension Plan Schedules	68
Schedule of the Town's proportionate share of the net pension liability.....	69
Schedule of the Municipal Light Plant's proportionate share of the net pension liability	70
Schedule of Town's contributions	71
Schedule of Municipal Light Plant's contributions.....	72
Schedule of special funding amounts	73
Other Postemployment Benefit Plan Schedules	74
Schedule of Town's net OPEB liability and related ratios.....	75
Schedule of Municipal Light Plant's net OPEB liability and related ratios	76
Schedule of Town contribution.....	77
Schedule of Municipal Light Plant contribution	78
Schedule of Municipal Light Plant investment returns	79
Other postemployment benefit plan schedule funding progress and employer contributions	80
Other postemployment benefit plan actuarial methods and assumptions	81
Notes to Required Supplementary Information	82



100 Quannapowitt Parkway
Suite 101

Wakefield, MA 01880

T. 781-914-1700

F. 781-914-1701

www.powersandsullivan.com

Independent Auditor's Report

To the Honorable Board of Selectmen
Town of West Boylston, Massachusetts

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 West Boylston, Massachusetts, as of and for the year ended June 30, 2018, (except for the West Boylston Municipal Light Plant which is as of and for the year ended December 31, 2017), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the West Boylston Municipal Light Plant as of December 31, 2017, which represent 41.2%, 25.9%, and 87.3%, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the business-type activities of the West Boylston Municipal Light Plant, is based solely on the report of the other auditors. 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 of 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

The West Boylston Municipal Light Plant has reported its December 31, 2017, portion of net pension liability (NPL) based on reports provided by the Worcester Regional Retirement System (WRRS) that are not in compliance with GASB standards. *Government Accounting Standards* require that the NPL be reported using actuarial data that is no more than 30 month and one day old. The WRRS provided NPL information using data from an actuarial valuation dated January 1, 2014. The amount by which this departure would affect assets, liabilities, fund balance, and revenues of the Plant has not been determined.

Qualified Opinions

In our opinion, except for the effects of the matter discussed in the “Basis for Qualified Opinion” 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 West Boylston, Massachusetts, as of June 30, 2018, (except for the West Boylston Municipal Light Plant which is as of and for the year ended December 31, 2017), and the respective changes in financial position and, where applicable, cash flows thereof 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 the management’s discussion and analysis and required supplementary information, as listed in the table of contents, 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 sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of the Town of West Boylston, Massachusetts’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 of West Boylston, Massachusetts’ internal control over financial reporting and compliance.



December 20, 2018

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of West Boylston, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2018. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Financial Highlights

- The assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the year-end by \$17.2 million.
- As required by GASB Statement #68, in 2017 the Town recognized their total net pension liability of \$17.1 million along with a net deferred outflow/inflow related to pensions of \$836,000 on the statement of net position.
- Beginning net position of the governmental activities and the business-type activities have been revised to reflect the implementation of GASB Statement #75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". The implementation of this standard required the calculation of the OPEB liability to be revised due to the use of different methods and assumptions as previously required by GASB Statement #45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*". Accordingly, the Town's net position as of June 30 2017, has been revised to reflect these changes. (See Note 19 for further details regarding the revised balances).
- At the close of the current year, the Town's general fund reported an ending fund balance of \$4.2 million, an increase of \$610,000 in comparison with the prior year. Total fund balance represents 16.1% of total general fund expenditures.
- The Town's long-term debt, excluding the electric light department, increased by \$5.5 million during the current year bringing total debt to \$11.8 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of West Boylston's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This approach focuses on both the Town as a whole (government-side) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-side and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the 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 finances, in a manner similar to private-sector business. These statements

provide both short-term and long-term information about the Town's financial position, which assists in assessing the Town's economic position at the end of the year. The statements are prepared using the full accrual basis of accounting. All revenues and expenses connected with the year are considered even if cash involved has not been received or disbursed.

The government-wide financial statements include two statements:

The *statement of net position* presents information on the Town's non fiduciary assets and deferred outflows of resources, deferred inflows of resources and liabilities, with the difference between the two 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 government's net position changed during the most recent 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are primarily 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, human services, culture and recreation, capital outlay and interest.

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 statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the 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*.

The Town of West Boylston adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds. The Town maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its sewer activities.

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

Notes to the basic 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.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of West Boylston's governmental liabilities and deferred inflows exceeded assets and deferred outflows \$22.1 million at the close of 2018. Key components of the Town's governmental activities financial position are listed below.

	2018	As Revised 2017
Assets:		
Current assets.....	\$ 11,135,161	\$ 12,822,731
Capital assets, non depreciable.....	2,936,059	5,019,498
Capital assets, net of accumulated depreciation.....	22,225,407	17,439,136
Total assets.....	36,296,627	35,281,365
Deferred outflows of resources.....	1,114,757	2,244,279
Liabilities:		
Current liabilities (excluding debt).....	1,776,604	2,072,391
Noncurrent liabilities (excluding debt).....	41,436,533	47,225,127
Current debt.....	1,661,914	6,688,081
Noncurrent debt.....	8,498,504	3,110,853
Total liabilities.....	53,373,555	59,096,452
Deferred inflows of resources.....	6,141,811	581,418
Net position:		
Net investment in capital assets.....	15,001,048	12,790,520
Restricted.....	4,907,403	4,994,469
Unrestricted.....	(42,012,433)	(39,937,215)
Total net position.....	\$ (22,103,982)	\$ (22,152,226)

The largest single portion of the Town of West Boylston's net position of \$15.0 million reflects its investment in capital assets (e.g., land, buildings, vehicles); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its 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 the Town's net position, \$4.9 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position resulted in a \$42.0 million deficit, due mainly to the cumulative effect of recording \$27.5 million of other postemployment benefit liabilities along with a net pension liability of \$14.0 million.

Governmental activities. Governmental activities increased the Town of West Boylston's net position by \$48,000. Key elements of this increase are as follows:

	2018	2017
Program Revenues:		
Charges for services.....	\$ 1,740,977	\$ 1,859,851
Operating grants and contributions.....	7,145,722	7,228,042
Capital grants and contributions.....	645,077	1,822,499
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	16,842,263	16,171,057
Tax and other liens.....	44,804	61,490
Motor vehicle and other excise taxes.....	1,179,409	1,114,634
Hotel/motel/meals tax.....	185,128	-
Penalties and interest on taxes.....	41,044	41,127
Payments in lieu of taxes.....	683,582	683,582
Grants and contributions not restricted to specific programs.....	1,324,469	1,445,178
Unrestricted investment income.....	39,168	26,650
Miscellaneous.....	24,463	22,235
Total revenues.....	29,896,106	30,476,345
Expenses:		
General government.....	1,916,354	2,033,368
Public safety.....	4,307,840	4,618,766
Education.....	19,713,501	20,891,084
Public works.....	2,363,048	2,560,658
Human services.....	410,111	437,238
Culture and recreation.....	664,900	671,027
Capital outlay.....	217,071	210,229
Interest.....	255,037	52,632
Total expenses.....	29,847,862	31,475,002
Change in net position.....	48,244	(998,657)
Net position, beginning of year (as revised).....	(22,152,226)	(21,153,569)
Net position, end of year.....	\$ (22,103,982)	\$ (22,152,226)

The governmental expenses totaled \$29.8 million of which \$9.5 million (32%) was directly supported by program revenues consisting of charges for services, operating and capital grants, and contributions. General revenues totaled \$20.4 million, primarily coming from property taxes, motor vehicle excise and nonrestricted grants and contributions.

The governmental net position increased by \$48,000 during the current year. The change was due to positive budgetary results and capital grants of totaling \$645,000, respectively, offset by a decrease in the OPEB and net pension liability of \$151,000 and \$745,000.

Business-type Activities

There was a net increase of \$1.4 million in connection with the Town's Business-type activities. Key elements of this increase are as follows:

	2018	As Revised 2017
Assets:		
Current assets.....	\$ 13,321,020	\$ 12,768,585
Noncurrent assets (excluding capital).....	7,941,755	-
Capital assets, non depreciable.....	702,454	7,464,626
Capital assets, net of accumulated depreciation.....	37,322,601	39,142,874
Total assets.....	59,287,830	59,376,085
Deferred outflows of resources.....	817,281	532,995
Liabilities:		
Current liabilities (excluding debt).....	911,709	1,463,354
Noncurrent liabilities (excluding debt).....	3,732,790	3,204,162
Current debt.....	833,836	771,835
Noncurrent debt.....	10,891,757	11,694,685
Total liabilities.....	16,370,092	17,134,036
Deferred inflows of resources.....	4,450,958	4,909,050
Net position:		
Net investment in capital assets.....	26,299,462	26,676,354
Depreciation.....	2,036,142	1,531,451
Unrestricted.....	10,948,457	9,658,189
Total net position.....	\$ 39,284,061	\$ 37,865,994
	2018	2017
Program Revenues:		
Charges for services.....	\$ 10,218,441	\$ 9,643,498
General Revenues:		
Unrestricted investment income.....	418,241	98,492
Total revenues.....	10,636,682	9,741,990
Expenses:		
Sewer.....	2,301,177	2,190,894
Municipal Light.....	6,917,438	7,053,477
Total expenses.....	9,218,615	9,244,371
Change in net position.....	1,418,067	497,619
Net position, beginning of year (as revised).....	37,865,994	37,368,375
Net position, end of year.....	\$ 39,284,061	\$ 37,865,994

The Sewer Enterprise Fund is used to account for operating costs for sewer activities. Total revenues amounted to \$1.3 million which is the same as 2017.

At year end the Sewer Enterprise Fund had total net position of \$29.1 million which can be used for the on-going operation of the Town's sewer activities.

The Electric Light Enterprise Fund net position increased \$2.2 million during the current year. This is in comparison to a \$1.2 million increase in 2017.

Financial Analysis of the Governmental Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's 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 year.

As of the end of the current year, the Town of West Boylston's governmental funds reported combined ending fund balances of \$7.5 million, an increase of \$3.8 million in comparison with prior year. The increase is mainly relates to timing differences in the Town capital projects fund and better than expected general fund receipts.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$3.4 million, of which \$1.3 million relates to the general stabilization fund and \$714,000 relates to the capital stabilization fund. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 13.1% of the total general fund expenditures, while total fund balance represents 16.1% of that same amount.

The general fund increased by \$610,000 during the current year. This is attributable to a transfer in from nonmajor funds and better than expected revenue collections.

The Town capital project fund had a deficit ending fund balance of \$1.1 million, an increase of \$3.3 million from the prior year. This increase is due to the timing of capital project expenses which are financed with bond proceeds.

General Fund Budgetary Highlights

The general fund original budget, including encumbrances, was \$24.5 million. It was increased \$1.4 million during the year.

Capital Asset and Debt Administration

Capital Assets. The Town of West Boylston's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$63.2 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment and furnishings and vehicles and infrastructure. Acquisition of capital assets for the current year was \$4.4 million.

Debt Administration. At the end of the current year, the Town of West Boylston had total bonded long-term debt outstanding of \$6.1 million and \$11.7 million for the governmental and business-type activities, respectively.

Please refer to the Notes 4, 6, and 7 for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of West Boylston'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 the Town Accountant, 140 Worcester Street, West Boylston, MA 01583.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2018

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 9,717,674	\$ 9,224,791	\$ 18,942,465
Restricted cash, MMWEC.....	-	510,670	510,670
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	189,782	-	189,782
Tax liens.....	90,582	31,111	121,693
Community preservation fund surtax.....	2,205	-	2,205
Motor vehicle and other excise taxes.....	112,988	-	112,988
User charges.....	-	277,570	277,570
Departmental and other.....	447,847	559,473	1,007,320
Intergovernmental - other.....	574,083	182,568	756,651
Unbilled revenue.....	-	743,698	743,698
Special assessments.....	-	431,992	431,992
Interest receivable.....	-	8,499	8,499
Inventory.....	-	341,268	341,268
Prepaid purchase power.....	-	15,442	15,442
Other assets.....	-	22,136	22,136
Purchased power advanced deposits.....	-	971,802	971,802
Total current assets.....	<u>11,135,161</u>	<u>13,321,020</u>	<u>24,456,181</u>
NONCURRENT:			
Investments.....	-	14,718	14,718
Receivables, net of allowance for uncollectibles:			
Special assessments.....	-	2,112,574	2,112,574
Customer deposits.....	-	149,537	149,537
Depreciation fund.....	-	2,036,142	2,036,142
Rate stabilization and similar.....	-	3,628,784	3,628,784
Capital assets, nondepreciable.....	2,936,059	702,454	3,638,513
Capital assets, net of accumulated depreciation.....	<u>22,225,407</u>	<u>37,322,601</u>	<u>59,548,008</u>
Total noncurrent assets.....	<u>25,161,466</u>	<u>45,966,810</u>	<u>71,128,276</u>
TOTAL ASSETS.....	<u>36,296,627</u>	<u>59,287,830</u>	<u>95,584,457</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	<u>1,114,757</u>	<u>817,281</u>	<u>1,932,038</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	1,295,655	684,907	1,980,562
Accrued payroll.....	122,698	1,363	124,061
Payroll withholdings.....	233,247	225,439	458,686
Capital lease obligations.....	141,255	-	141,255
Compensated absences.....	125,004	-	125,004
Notes payable.....	1,100,000	-	1,100,000
Bonds payable.....	<u>420,659</u>	<u>833,836</u>	<u>1,254,495</u>
Total current liabilities.....	<u>3,438,518</u>	<u>1,745,545</u>	<u>5,184,063</u>
NONCURRENT:			
Customer deposits.....	-	149,537	149,537
Capital lease obligations.....	2,415,551	-	2,415,551
Compensated absences.....	208,734	-	208,734
Net pension liability.....	13,693,187	3,357,250	17,050,437
Other postemployment benefits.....	27,534,612	226,003	27,760,615
Bonds payable.....	<u>6,082,953</u>	<u>10,891,757</u>	<u>16,974,710</u>
Total noncurrent liabilities.....	<u>49,935,037</u>	<u>14,624,547</u>	<u>64,559,584</u>
TOTAL LIABILITIES.....	<u>53,373,555</u>	<u>16,370,092</u>	<u>69,743,647</u>
DEFERRED INFLOWS OF RESOURCES			
Purchased power adjustment.....	-	103,729	103,729
Rate stabilization reserve.....	-	4,169,553	4,169,553
Deferred inflows related to pensions.....	947,458	148,424	1,095,882
Deferred inflows related to other postemployment benefits.....	<u>5,194,353</u>	<u>29,252</u>	<u>5,223,605</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>6,141,811</u>	<u>4,450,958</u>	<u>10,592,769</u>
NET POSITION			
Net investment in capital assets.....	15,001,048	26,299,462	41,300,510
Restricted for:			
Depreciation.....	-	2,036,142	2,036,142
Permanent funds:			
Expendable.....	647,561	-	647,561
Nonexpendable.....	509,362	-	509,362
Other purposes.....	3,750,480	-	3,750,480
Unrestricted.....	<u>(42,012,433)</u>	<u>10,948,457</u>	<u>(31,063,976)</u>
TOTAL NET POSITION.....	<u>\$ (22,103,982)</u>	<u>\$ 39,284,061</u>	<u>\$ 17,180,079</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
Governmental Activities:					
General government.....	\$ 1,916,354	\$ 364,460	\$ 118,356	\$ -	\$ (1,433,538)
Public safety.....	4,307,840	687,034	10,788	-	(3,610,018)
Education.....	19,713,501	412,570	6,972,849	-	(12,328,082)
Public works.....	2,363,048	197,069	7,200	645,077	(1,513,702)
Health and human services.....	410,111	61,886	-	-	(348,225)
Culture and recreation.....	664,900	17,958	36,529	-	(610,413)
Capital outlay.....	217,071	-	-	-	(217,071)
Interest.....	255,037	-	-	-	(255,037)
Total Governmental Activities.....	29,847,862	1,740,977	7,145,722	645,077	(20,316,086)
Business-Type Activities:					
Sewer.....	2,301,177	1,524,501	-	-	(776,676)
Electric light.....	6,917,438	8,693,940	-	-	1,776,502
Total Business-Type Activities.....	9,218,615	10,218,441	-	-	999,826
Total Primary Government.....	\$ 39,066,477	\$ 11,959,418	\$ 7,145,722	\$ 645,077	\$ (19,316,260)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(20,316,086)	\$ 999,826	\$ (19,316,260)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	16,842,263	-	16,842,263
Tax and other liens.....	44,804	-	44,804
Motor vehicle and other excise taxes.....	1,179,409	-	1,179,409
Hotel/motel/meal tax.....	185,128	-	185,128
Penalties and interest on taxes.....	41,044	-	41,044
Payments in lieu of taxes.....	683,582	-	683,582
Grants and contributions not restricted to specific programs.....	1,324,469	-	1,324,469
Unrestricted investment income.....	39,168	418,241	457,409
Miscellaneous.....	24,463	-	24,463
Total general revenues and transfers.....	20,364,330	418,241	20,782,571
Change in net position.....	48,244	1,418,067	1,466,311
<i>Net position:</i>			
Beginning of year, as revised.....	(22,152,226)	37,865,994	15,713,768
End of year..... \$	(22,103,982)	\$ 39,284,061	\$ 17,180,079

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2018

	General	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 5,149,064	\$ 547,086	\$ 4,021,524	\$ 9,717,674
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	189,782	-	-	189,782
Tax liens.....	90,582	-	-	90,582
Community preservation fund surtax.....	-	-	2,205	2,205
Motor vehicle and other excise taxes.....	112,988	-	-	112,988
Departmental and other.....	-	-	447,847	447,847
Intergovernmental.....	29,724	-	544,359	574,083
TOTAL ASSETS.....	\$ 5,572,140	\$ 547,086	\$ 5,015,935	\$ 11,135,161
LIABILITIES				
Warrants payable.....	\$ 669,585	\$ 554,126	\$ 71,944	\$ 1,295,655
Accrued payroll.....	120,501	-	2,197	122,698
Payroll withholdings.....	233,247	-	-	233,247
Notes payable.....	-	1,100,000	-	1,100,000
TOTAL LIABILITIES.....	1,023,333	1,654,126	74,141	2,751,600
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	393,350	-	449,628	842,978
FUND BALANCES				
Nonspendable.....	-	-	509,362	509,362
Restricted.....	-	-	4,045,325	4,045,325
Committed.....	452,630	-	-	452,630
Assigned.....	319,714	-	-	319,714
Unassigned.....	3,383,113	(1,107,040)	(62,521)	2,213,552
TOTAL FUND BALANCES.....	4,155,457	(1,107,040)	4,492,166	7,540,583
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 5,572,140	\$ 547,086	\$ 5,015,935	\$ 11,135,161

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2018

Total governmental fund balances.....	\$ 7,540,583
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	25,161,466
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	842,978
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....	(5,027,054)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable.....	(6,503,612)
Net pension liability.....	(13,693,187)
Other postemployment benefits.....	(27,534,612)
Capital lease obligations.....	(2,556,806)
Compensated absences.....	(333,738)
Net effect of reporting long-term liabilities.....	(50,621,955)
Net position of governmental activities.....	\$ (22,103,982)

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2018

	General	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 16,852,576	\$ -	\$ -	\$ 16,852,576
Tax liens.....	31,902	-	-	31,902
Motor vehicle and other excise taxes.....	1,160,136	-	-	1,160,136
Hotel/motel tax.....	185,128	-	-	185,128
Charges for services.....	227,220	-	-	227,220
Penalties and interest on taxes.....	41,044	-	-	41,044
Payments in lieu of taxes.....	683,582	-	-	683,582
Licenses and permits.....	143,645	-	-	143,645
Fines and forfeitures.....	31,962	-	-	31,962
Intergovernmental - other.....	6,740,095	-	2,150,937	8,891,032
Departmental and other.....	-	-	1,110,033	1,110,033
Special assessments.....	-	-	215,009	215,009
Contributions and donations.....	-	-	162,819	162,819
Investment income.....	32,482	-	6,686	39,168
Miscellaneous.....	16,099	-	5,040	21,139
TOTAL REVENUES.....	26,145,871	-	3,650,524	29,796,395
EXPENDITURES:				
Current:				
General government.....	1,076,627	-	106,896	1,183,523
Public safety.....	2,608,370	1,882,979	15,680	4,507,029
Education.....	11,684,091	-	2,162,182	13,846,273
Public works.....	1,738,935	-	664,846	2,403,781
Health and human services.....	166,842	1,153,954	83,173	1,403,969
Culture and recreation.....	407,952	-	50,044	457,996
Pension benefits.....	3,622,655	-	-	3,622,655
Employee benefits.....	3,503,446	-	-	3,503,446
State and county charges.....	390,385	-	-	390,385
Capital outlay.....	217,071	-	-	217,071
Debt service:				
Principal.....	200,301	-	-	200,301
Interest.....	255,037	-	-	255,037
TOTAL EXPENDITURES.....	25,871,712	3,036,933	3,082,821	31,991,466
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	274,159	(3,036,933)	567,703	(2,195,071)
OTHER FINANCING SOURCES (USES):				
Issuance of bonds.....	-	5,540,000	-	5,540,000
Premium from issuance of bonds.....	-	420,000	-	420,000
Transfers in.....	745,550	396,960	22,808	1,165,318
Transfers out.....	(409,892)	-	(755,426)	(1,165,318)
TOTAL OTHER FINANCING SOURCES (USES).....	335,658	6,356,960	(732,618)	5,960,000
NET CHANGE IN FUND BALANCES.....	609,817	3,320,027	(164,915)	3,764,929
FUND BALANCES AT BEGINNING OF YEAR.....	3,545,640	(4,427,067)	4,657,081	3,775,654
FUND BALANCES AT END OF YEAR.....	\$ 4,155,457	\$ (1,107,040)	\$ 4,492,166	\$ 7,540,583

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds.....	\$	3,764,929
<p>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.</p>		
Capital outlay.....	3,974,904	
Depreciation expense.....	<u>(1,272,073)</u>	
Net effect of reporting capital assets.....		2,702,831
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		99,712
<p>The issuance of long-term debt 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 has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....	141,255	
Issuance of bonds.....	(5,540,000)	
Premium from issuance of bonds.....	(420,000)	
Debt service principal payments.....	<u>200,301</u>	
Net effect of reporting long-term debt.....		(5,618,444)
<p>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.</p>		
Net change in compensated absences accrual.....	(4,448)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(1,495,562)	
Net change in net pension liability.....	750,612	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits..	(5,194,353)	
Net change in other postemployment benefits liability.....	<u>5,042,967</u>	
Net effect of recording long-term liabilities.....		<u>(900,784)</u>
Change in net position of governmental activities.....	\$	<u><u>48,244</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2018

	Business-type Activities - Enterprise Funds		
	Sewer	Electric Light December 31, 2017	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 4,228,773	\$ 4,996,018	\$ 9,224,791
Restricted cash, MMWEC.....	-	510,670	510,670
Receivables, net of allowance for uncollectibles:			
Liens - user charges.....	31,111	-	31,111
User charges.....	277,570	-	277,570
Departmental and other.....	-	559,473	559,473
Electric light fees.....	-	182,568	182,568
Unbilled revenue.....	-	743,698	743,698
Special assessments.....	431,992	-	431,992
Interest receivable.....	-	8,499	8,499
Inventory.....	-	341,268	341,268
Prepaid expenses.....	-	22,136	22,136
Prepaid purchase power.....	-	15,442	15,442
Purchased power advanced deposits.....	-	971,802	971,802
Total current assets.....	4,969,446	8,351,574	13,321,020
NONCURRENT:			
Investments.....	-	14,718	14,718
Receivables, net of allowance for uncollectibles:			
Special assessments.....	2,112,574	-	2,112,574
Customer deposits.....	-	149,537	149,537
Depreciation fund.....	-	2,036,142	2,036,142
Rate stabilization and similar.....	-	3,628,784	3,628,784
Capital assets, non depreciable.....	-	702,454	702,454
Capital assets, net of accumulated depreciation.....	27,759,168	9,563,433	37,322,601
Total noncurrent assets.....	29,871,742	16,095,068	45,966,810
TOTAL ASSETS.....	34,841,188	24,446,642	59,287,830
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	9,660	807,621	817,281
LIABILITIES			
CURRENT:			
Warrants payable.....	9,451	675,456	684,907
Accrued payroll.....	1,363	-	1,363
Other liabilities.....	111,394	114,045	225,439
Bonds payable.....	316,262	517,574	833,836
Total current liabilities.....	438,470	1,307,075	1,745,545
NONCURRENT:			
Customer deposits.....	-	149,537	149,537
Net pension liability.....	85,252	3,271,998	3,357,250
Other postemployment benefits.....	155,062	70,941	226,003
Bonds payable.....	5,028,167	5,863,590	10,891,757
Total noncurrent liabilities.....	5,268,481	9,356,066	14,624,547
TOTAL LIABILITIES.....	5,706,951	10,663,141	16,370,092
DEFERRED INFLOWS OF RESOURCES			
Purchased power adjustment.....	-	103,729	103,729
Rate stabilization reserve.....	-	4,169,553	4,169,553
Deferred inflows related to pensions.....	5,479	142,945	148,424
Deferred inflows related to other postemployment benefits.....	29,252	-	29,252
TOTAL DEFERRED INFLOWS OF RESOURCES.....	34,731	4,416,227	4,450,958
NET POSITION			
Net investment in capital assets.....	22,414,739	3,884,723	26,299,462
Restricted for:			
Depreciation.....	-	2,036,142	2,036,142
Unrestricted.....	6,694,427	4,254,030	10,948,457
TOTAL NET POSITION.....	\$ 29,109,166	\$ 10,174,895	\$ 39,284,061

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds		
	Sewer	Electric Light December 31, 2017	Total
OPERATING REVENUES:			
Charges for services.....	\$ 1,302,306	\$ 8,693,940	\$ 9,996,246
OPERATING EXPENSES:			
Cost of services and administration.....	1,328,594	5,815,293	7,143,887
Depreciation.....	698,957	882,362	1,581,319
TOTAL OPERATING EXPENSES.....	2,027,551	6,697,655	8,725,206
OPERATING INCOME (LOSS).....	(725,245)	1,996,285	1,271,040
NONOPERATING REVENUES (EXPENSES):			
Investment income.....	21,459	396,782	418,241
Interest expense.....	(273,626)	(193,864)	(467,490)
Pooled financing issuance costs.....	-	(27,817)	(27,817)
Amortization of bond premium.....	-	1,898	1,898
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(252,167)	176,999	(75,168)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	(977,412)	2,173,284	1,195,872
CAPITAL CONTRIBUTIONS.....	222,195	-	222,195
CHANGE IN NET POSITION.....	(755,217)	2,173,284	1,418,067
NET POSITION AT BEGINNING OF YEAR.....	29,864,383	8,001,611	37,865,994
NET POSITION AT END OF YEAR.....	\$ 29,109,166	\$ 10,174,895	\$ 39,284,061

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds		
	Sewer	Electric Light December 31, 2017	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from customers and users.....	\$ 1,641,376	\$ 8,806,240	\$ 10,447,616
Payments to vendors.....	(1,235,109)	(5,794,638)	(7,029,747)
Payments to employees.....	(70,891)	(822,437)	(893,328)
NET CASH FROM OPERATING ACTIVITIES.....	335,376	2,189,165	2,524,541
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Acquisition and construction of capital assets.....	-	(467,655)	(467,655)
Principal payments on bonds and notes.....	(306,262)	(390,982)	(697,244)
Principal payments on capital lease obligations.....	-	(169,157)	(169,157)
Interest expense.....	(273,626)	(272)	(273,898)
Intergovernmental revenue.....	222,195	-	222,195
Grant income.....	-	67,328	67,328
Transfers to pooled financing reserve fund.....	-	(38,504)	(38,504)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(357,693)	(999,242)	(1,356,935)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Net transfer to operations.....	-	(484,547)	(484,547)
Proceeds from sales and maturities of investments.....	-	700,000	700,000
Purchase of investments.....	3,223,055	(749,920)	2,473,135
Investment income.....	21,459	35,851	57,310
NET CASH FROM INVESTING ACTIVITIES.....	3,244,514	(498,616)	2,745,898
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	3,222,197	691,307	3,913,504
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,006,576	2,159,248	3,165,824
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 4,228,773	\$ 2,850,555	\$ 7,079,328
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>			
<u>FROM OPERATING ACTIVITIES:</u>			
Operating income (loss).....	\$ (725,245)	\$ 1,996,285	\$ 1,271,040
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation.....	698,957	882,362	1,581,319
Rate stabilization reserve.....	-	265,900	265,900
Deferred (outflows)/inflows related to pensions.....	2,150	(309,563)	(307,413)
Deferred (outflows)/inflows related to OPEB.....	29,252	-	29,252
Changes in assets and liabilities:			
Tax liens.....	(20,742)	-	(20,742)
User charges.....	(6,690)	(327,267)	(333,957)
Unbilled revenue.....	-	(39,770)	(39,770)
Special assessments.....	366,502	-	366,502
Inventory.....	-	(71,295)	(71,295)
Purchased power advanced deposits.....	-	69,937	69,937
Prepaid expenses.....	-	(3,390)	(3,390)
Warrants payable.....	(8,539)	78,679	70,140
Accrued liabilities.....	29	(148,275)	(148,246)
Customer deposits.....	-	10,687	10,687
Other liabilities.....	(3,247)	-	(3,247)
Miscellaneous deferred liabilities.....	-	(730,117)	(730,117)
Net pension liability.....	31,349	534,280	565,629
Other postemployment benefits.....	(28,400)	(19,288)	(47,688)
Total adjustments.....	1,060,621	192,880	1,253,501
NET CASH FROM OPERATING ACTIVITIES.....	\$ 335,376	\$ 2,189,165	\$ 2,524,541

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	Electric OPEB Trust Fund (as of December 31, 2017)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 770,305	\$ 127,443	\$ 137,528
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	-	20,045
TOTAL ASSETS.....	770,305	127,443	157,573
LIABILITIES			
Warrants payable.....	-	-	13,060
Accrued payroll.....	-	-	2,741
Liabilities due depositors.....	-	-	141,772
TOTAL LIABILITIES.....	-	-	157,573
NET POSITION			
Restricted for other postemployment benefits.....	770,305	-	-
Held in trust for other purposes.....	-	127,443	-
TOTAL NET POSITION.....	\$ 770,305	\$ 127,443	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2018

	Electric OPEB (as of December 31, 2017)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Private donations.....	\$ -	\$ 4,787
Net investment income:		
Net change in fair value of investments.....	99,869	-
Investment income.....	-	1,203
TOTAL ADDITIONS.....	99,869	5,990
DEDUCTIONS:		
Educational scholarships.....	-	30,700
NET INCREASE (DECREASE) IN NET POSITION.....	99,869	(24,710)
NET POSITION AT BEGINNING OF YEAR.....	670,436	152,153
NET POSITION AT END OF YEAR.....	\$ 770,305	\$ 127,443

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of West Boylston, Massachusetts (Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected five member Board of Selectmen and an appointed Town Administrator.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. There are no component units that meet the requirements for inclusion in the Town's basic financial statements.

B. Government-Wide and Fund Financial Statements*Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities, which* are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows of resources, etc.) for all fund of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal 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.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *town capital project fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds).

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The *sewer enterprise fund* is a major proprietary fund and was established by the Town to account for the operating cost of the sewer activities, such as personnel, maintenance and repairs. Sewer rates are set to cover these operating expenses. All related debt activity is accounted for as a governmental activity because revenues are raised in those funds to pay for debt service expenses.

The *electric light fund* is a major proprietary fund and is used to account for the operations of the West Boylston Municipal Light Plant (WBMLP).

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *other postemployment benefits trust fund* is used to accumulate resources to provide funding for future other postemployment benefit (OPEB) liabilities of the WBMLP.

The *agency fund* is used to account for assets held in a purely custodial capacity.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Fair Value Measurements.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements, proprietary fund financial statements, and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st 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 year of the levy.

Real estate tax liens are processed annually on delinquent properties and are recorded as receivables in the year they are processed.

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of the increase in the property tax levy in any given year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½ % of the total assets value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year's levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2 ½ can be overridden by a Town-wide referendum.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Sewer User Fees

User fees are levied on usage data received and are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed once a year and are included as a lien on the property owner's tax bill. Sewer charges and related liens are recorded as receivables in the year of the levy.

Since these receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables consist primarily of public buildings and other receivables and are recorded as receivables in the year accrued. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Special Assessments

Special assessments consist of sewer betterments levied on properties that have benefited by the construction of the Town's sewer project. The sewer betterment assessment is a one-time tax that can be paid in one lump sum or apportioned up to a maximum of twenty (20) years and is primarily designed to pay back all or a portion of the debt service associated with the sewer project.

Intergovernmental – Federal and State

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

G. Inventories***Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets***Government-Wide Financial Statements***

Capital assets, which include land, buildings and improvements, machinery, equipment and furnishings, vehicles, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$15,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of five years or greater.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements.....	30
Machinery, equipment, and furnishings.....	40
Vehicles.....	3-40
Infrastructure.....	40-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town reported deferred outflows related to pensions in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town reported deferred inflows related to pensions, OPEB, purchase powers adjustment and reserve for rate stabilization in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

J. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances."

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

K. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net."

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

L. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building program is not considered to be capital related debt.

Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Depreciation” represents the amounts related to the depreciation reserves of the WBMLP.

“Permanent funds - expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings that support governmental programs.

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Other purposes” represents restrictions placed on assets from outside parties.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town meeting is the highest level of decision making authority for the government that can, by Town meeting vote, commit fund balance. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purposes or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Board of Selectmen has, by resolution, authorized the Town Accountant to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

M. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

N. Pensions

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 Worcester Regional Retirement System (WRRS) and the Massachusetts Teachers Retirement System (MTRS) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income of the Sewer Enterprise Fund is retained within that fund.

P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

Q. Use of Estimates*Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 year. Actual results could vary from estimates that were used.

R. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents." The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth. The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town has a policy to limit custodial credit risk of deposits. At year-end, the carrying amount of deposits totaled \$15,514,355 and the bank balance totaled \$17,869,751. Of the bank balance, \$1,721,098 was covered by Federal Depository Insurance, \$4,798,028 was covered by the Depositors Insurance Fund, and \$11,350,625 was collateralized, leaving no funds exposed to custodial credit risk because it was uninsured and uncollateralized.

Fair Market Value of Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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.

As of June 30, 2018, the Town had the following investments:

Investment Type	June 30, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other investments:				
Money market mutual funds.....	\$ 3,976,054	\$ 3,976,054	\$ -	\$ -
Investments measured at amortized cost:				
MMDT - cash portfolio.....	227,697			
Total investments.....	\$ 4,203,751			

MMDT maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 2 months. The Town's investment in MMDT is unrated.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of the outside party. The Town has a policy for custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Town has a policy for interest rate risk.

Credit Risk

This is the risk of loss due to the failure of a security issuer or backer. The Town does not have a policy relating to credit risk.

Concentration of Credit Risk

The Town places no limit on the amount that may be invested in any one issuer except for bank deposits of any kind as other checking, savings, or money market accounts, or certificates of deposit, certificate of deposit account registry services (CDARS), or repurchase agreements which are limited to no more than 5% of the financial institution's assets.

NOTE 3 – RECEIVABLES

At June 30, 2018, receivables for the individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 190,587	\$ (805)	\$ 189,782
Tax liens and foreclosures.....	90,582	-	90,582
Community preservation fund surtax.....	2,205	-	2,205
Motor vehicle and other excise taxes.....	125,569	(12,581)	112,988
Departmental and other.....	447,847	-	447,847
Intergovernmental - other.....	574,083	-	574,083
Total.....	\$ 1,430,873	\$ (13,386)	\$ 1,417,487

At June 30, 2018, receivables for enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Sewer liens - user charges.....	31,111	-	31,111
Sewer user charges.....	277,570	-	277,570
Sewer special assessments.....	2,544,566	-	2,544,566
Electric light user charges.....	194,096	(11,528)	182,568
Electric light departmental and other.....	559,473	-	559,473
Electric light interest.....	8,499	-	8,499
Electric light unbilled revenue.....	743,698	-	743,698
Total.....	\$ 4,359,013	\$ (11,528)	\$ 4,347,485

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 189,779	\$ -	\$ 189,779
Tax liens and foreclosures.....	90,582	-	90,582
Community preservation fund surtax.....	-	2,206	2,206
Motor vehicle and other excise taxes.....	112,989	-	112,989
Departmental and other.....	-	447,422	447,422
Total.....	\$ <u>393,350</u>	\$ <u>449,628</u>	\$ <u>842,978</u>

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,782,106	\$ -	\$ -	\$ 1,782,106
Construction in progress.....	3,237,392	1,153,953	(3,237,392)	1,153,953
Total capital assets not being depreciated.....	<u>5,019,498</u>	<u>1,153,953</u>	<u>(3,237,392)</u>	<u>2,936,059</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	22,154,782	5,139,546	-	27,294,328
Machinery, equipment and furnishings.....	8,611,079	302,612	(1,345,059)	7,568,632
Infrastructure.....	26,936,341	616,186	-	27,552,527
Total capital assets being depreciated.....	<u>57,702,202</u>	<u>6,058,344</u>	<u>(1,345,059)</u>	<u>62,415,487</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(10,833,914)	(698,625)	-	(11,532,539)
Machinery, equipment and furnishings.....	(6,436,243)	(407,368)	1,345,059	(5,498,552)
Infrastructure.....	(22,992,909)	(166,080)	-	(23,158,989)
Total accumulated depreciation.....	<u>(40,263,066)</u>	<u>(1,272,073)</u>	<u>1,345,059</u>	<u>(40,190,080)</u>
Total capital assets being depreciated, net.....	<u>17,439,136</u>	<u>4,786,271</u>	<u>-</u>	<u>22,225,407</u>
Total governmental activities capital assets, net.....	\$ <u>22,458,634</u>	\$ <u>5,940,224</u>	\$ <u>(3,237,392)</u>	\$ <u>25,161,466</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer:				
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	\$ 7,634,035	\$ -	\$ -	\$ 7,634,035
Machinery, equipment and furnishings.....	1,103,581	-	-	1,103,581
Infrastructure.....	30,301,881	-	-	30,301,881
Total capital assets being depreciated.....	39,039,497	-	-	39,039,497
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(1,122,625)	(250,705)	-	(1,373,330)
Machinery, equipment and furnishings.....	(3,609,909)	(57,618)	-	(3,667,527)
Infrastructure.....	(5,848,838)	(390,634)	-	(6,239,472)
Total accumulated depreciation.....	(10,581,372)	(698,957)	-	(11,280,329)
Total capital assets being depreciated, net.....	\$ 28,458,125	\$ (698,957)	\$ -	\$ 27,759,168
	Beginning Balance	Increases	Decreases	Ending Balance
Municipal Light Plant:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 666,428	\$ -	\$ -	\$ 666,428
Construction in progress.....	6,592	29,434	-	36,026
Total capital assets not being depreciated.....	673,020	29,434	-	702,454
<u>Capital assets being depreciated:</u>				
Distribution plant.....	9,298,785	390,226	(228,221)	9,460,790
General plant.....	2,508,111	47,995	(45,290)	2,510,816
Generation plant.....	6,249,759	-	(4,155)	6,245,604
Total capital assets being depreciated.....	18,056,655	438,221	(277,666)	18,217,210
<u>Less accumulated depreciation for:</u>				
Distribution plant.....	(5,816,096)	(463,169)	228,221	(6,051,044)
Vehicles and equipment.....	(1,768,814)	(125,403)	45,290	(1,848,927)
Generation plant.....	(460,016)	(293,790)	-	(753,806)
Total accumulated depreciation.....	(8,044,926)	(882,362)	273,511	(8,653,777)
Total capital assets being depreciated, net.....	10,011,729	(444,141)	(4,155)	9,563,433
Total sewer activities capital assets, net.....	\$ 10,684,749	\$ (414,707)	\$ (4,155)	\$ 10,265,887

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government.....	\$ 279,969
Public safety.....	228,516
Education.....	326,847
Public works.....	272,234
Human services.....	124,078
Culture and recreation.....	40,429
Total depreciation expense - governmental activities.....	\$ 1,272,073

Business-Type Activities:

Sewer.....	\$	698,957
Municipal Light.....		<u>882,362</u>
Total depreciation expense - business-type activities.....	\$	<u>1,581,319</u>

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018, are summarized as follows:

Transfers Out:	Transfers In:				
	General fund	Town Capital Projects	Nonmajor governmental funds	Total	
General fund.....	\$ -	\$ 396,960	\$ 12,932	\$ 409,892	(1)
Nonmajor governmental funds.....	<u>745,550</u>	<u>-</u>	<u>9,876</u>	<u>755,426</u>	(2)
Total.....	<u>\$ 745,550</u>	<u>\$ 396,960</u>	<u>\$ 22,808</u>	<u>\$ 1,165,318</u>	

1) Represents transfers from the general fund to Town capital project fund and to various grant funds.

2) Represents budgeted transfers between revolving funds and the general fund as well as a transfer to the expendable trust fund.

NOTE 6 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund.

Details related to the Town's short-term debt activity are shown below.

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2017	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2018
Governmental Funds:							
BAN	Municipal Purpose.....	2.00	11/17/17	\$ 5,671,000	\$ -	\$ (5,671,000)	\$ -
BAN	Municipal Purpose.....	1.19	11/17/17	685,960	-	(685,960)	-
BAN	Municipal Purpose.....	1.30	08/17/18	-	1,100,000	-	1,100,000
Total Governmental Funds.....				<u>\$ 6,356,960</u>	<u>\$ 1,100,000</u>	<u>\$ (6,356,960)</u>	<u>\$ 1,100,000</u>

NOTE 7 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit". Details related to the outstanding indebtedness at June 30, 2018, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2018
USDA (Library Building).....	2030	\$ 1,359,030	4.75%	\$ 543,612
Municipal Purpose Bonds of 2018 (land acquisition).....	2028	770,000	3.50 -5.00%	770,000
Municipal Purpose Bonds of 2018 (police station).....	2038	2,713,500	3.50 -5.00%	2,713,500
Municipal Purpose Bonds of 2018 (police station).....	2038	2,056,500	3.50 -5.00%	2,056,500
Total Bonds Payable.....				6,083,612
Add: Unamortized premium on bonds.....				420,000
Total Bonds Payable.....				<u>\$ 6,503,612</u>

Debt service requirements for principal and interest for Governmental bonds payable in future years are as follows:

Year	Principal	Interest	Total
2019.....	\$ 370,301	\$ 231,849	\$ 602,150
2020.....	370,301	213,445	583,746
2021.....	370,301	195,044	565,345
2022.....	365,301	177,167	542,468
2023.....	360,301	158,740	519,041
2024.....	360,301	140,838	501,139
2025.....	360,301	122,937	483,238
2026.....	360,301	108,185	468,486
2027.....	360,301	96,585	456,886
2028.....	360,301	83,408	443,709
2029.....	285,301	71,355	356,656
2030.....	285,301	62,003	347,304
2031.....	235,000	52,727	287,727
2032.....	235,000	45,677	280,677
2033.....	235,000	38,627	273,627
2034.....	235,000	31,577	266,577
2035.....	235,000	24,527	259,527
2036.....	235,000	17,477	252,477
2037.....	235,000	10,427	245,427
2038.....	230,000	3,451	233,451
Total.....	<u>\$ 6,083,612</u>	<u>\$ 1,886,046</u>	<u>\$ 7,969,658</u>

Bonds Payable Schedule – Sewer

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2018
MWPAT (00-1021) Series 7.....	2021	\$ 498,089	5.25%-3.00%	\$ 83,507
MWPAT (00-44-A) Pool 8.....	2033	2,792,759	5.00%-3.00%	1,820,000
MWPAT (CW-00-44).....	2031	439,465	5.12%-3.00%	261,087
MWPAT (Series 9).....	2034	4,183,613	5.50%-2.30%	2,920,000
MWPAT Pool 10 Title V.....	2025	671,778	5.25%-5.00%	259,835
Total Bonds Payable, net.....				<u>\$ 5,344,429</u>

Debt service requirements for principal and interest for Sewer bonds payable in future years are as follows:

Year	Principal	Interest	Total
2019.....	\$ 316,262	\$ 269,377	\$ 585,639
2020.....	321,931	259,150	581,081
2021.....	328,167	236,831	564,998
2022.....	315,623	220,127	535,750
2023.....	326,293	204,127	530,420
2024.....	330,460	189,002	519,462
2025.....	341,133	171,800	512,933
2026.....	315,753	151,028	466,781
2027.....	331,423	138,281	469,704
2028.....	342,092	121,411	463,503
2029.....	352,761	104,258	457,019
2030.....	368,431	86,413	454,844
2031.....	374,100	67,850	441,950
2032.....	365,000	48,923	413,923
2033.....	380,000	29,117	409,117
2034.....	235,000	11,919	246,919
Total.....	<u>\$ 5,344,429</u>	<u>\$ 2,309,614</u>	<u>\$ 7,654,043</u>

Bonds Payable Schedule – Municipal Light Plant

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at December 31, 2017
Clean Renewable Energy Bond.....	2026	\$ 1,167,367	2.0%	\$ 618,018
Temple Street Substation.....	2027	2,000,000	1.0%-2.0%	1,325,000
Solar Facility.....	2032	4,649,198	3.2%	4,420,099
Sub-total Municipal Light Plant.....				6,363,117
Add: Unamortized premium on bonds.....				<u>18,047</u>
Total Bonds Payable, net.....				<u>\$ 6,381,164</u>

Debt service requirements for principal and interest for Municipal Light Plant bonds payable in future years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018.....	\$ 517,574	\$ 38,982	\$ 556,556
2019.....	515,676	34,890	550,566
2020.....	515,676	30,824	546,500
2021.....	515,676	26,705	542,381
2022.....	515,676	70,784	586,460
2027 and thereafter.....	<u>3,782,839</u>	<u>1,463</u>	<u>3,784,302</u>
Total.....	\$ <u>6,363,117</u>	\$ <u>203,648</u>	\$ <u>6,566,765</u>

As of August 2016 WBMLP entered into a Pooled Loan Program Agreement with the Massachusetts Municipal wholesale Electric Company (MMWEC) for the purpose of financing the construction of a solar facility. Interest only is due monthly at a fixed interest rate of 1.75% per annum. The outstanding principal balance as of December 31, 2016 was \$4.6 million. For December 31, 2016, capitalized interest amounted to \$64,000.

On March 21, 2017, the Plant termed out its Pooled Financing loan Agreement through MMWEC for the purpose of financing the construction of a solar facility. Principal and interest are payable monthly. The interest rate is fixed at 3.15% and the loan matures February 2032. The outstanding principal balances as of December 31, 2017 was \$4.4 million. Interest expense relating to this loan was \$149,000 for the year ended December 31, 2017.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2018, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Fire Engine.....	\$ 575,000
Senior Center.....	<u>4,600,000</u>
Total.....	\$ <u>5,175,000</u>

Changes in Long-term Liabilities

As of June 30, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 743,913	\$ 5,540,000	\$ (200,301)	\$ -	\$ -	\$ 6,083,612	\$ 370,301
Add: Unamortized premium on bonds..	-	420,000	-	-	-	420,000	50,358
Total bonds payable.....	743,913	5,960,000	(200,301)	-	-	6,503,612	420,659
Capital lease obligations.....	2,698,061	-	-	-	(141,255)	2,556,806	141,255
Compensated absences.....	329,290	-	-	129,989	(125,541)	333,738	125,004
Net pension liability.....	14,443,799	-	-	-	(750,612)	13,693,187	-
Other postemployment benefits.....	11,875,934	-	-	15,658,678	-	27,534,612	-
Total governmental activity long-term liabilities.....	\$ 30,090,997	\$ 5,960,000	\$ (200,301)	\$ 15,788,667	\$ (1,017,408)	\$ 50,621,955	\$ 686,918
Business-Type Activities:							
Long-term bonds payable.....	\$ 12,446,575	\$ -	\$ (720,982)	\$ -	\$ -	\$ 11,725,593	\$ 831,938
Add: Unamortized premium on bonds..	19,945	-	-	-	(1,898)	18,047	1,898
Total bonds payable.....	12,466,520	-	(720,982)	-	(1,898)	11,743,640	833,836
Net pension liability.....	2,791,621	-	-	565,629	-	3,357,250	-
Other postemployment benefits.....	157,494	-	-	68,509	-	226,003	-
Total business-type activity long-term liabilities.....	\$ 15,415,635	\$ -	\$ (720,982)	\$ 634,138	\$ (1,898)	\$ 15,326,893	\$ 833,836

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

As of June 30, 2018, the governmental fund balances consisted of the following:

	General	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 509,362	\$ 509,362
Restricted for:				
Community preservation.....	-	-	1,191,720	1,191,720
Town grants.....	-	-	83,973	83,973
School lunch.....	-	-	81,764	81,764
Receipts reserved.....	-	-	583,815	583,815
Town revolving.....	-	-	220,276	220,276
School revolving.....	-	-	939,934	939,934
Septic repair.....	-	-	117,675	117,675
Town other.....	-	-	109,442	109,442
Chapter 90.....	-	-	34,774	34,774
Capital projects.....	-	-	34,391	34,391
Expendable trust funds	-	-	499,745	499,745
Affordable housing trust.....	-	-	61,462	61,462
Unemployment trust.....	-	-	86,354	86,354
Committed to:				
Articles and continuing appropriations:				
General government.....	27,615	-	-	27,615
Public safety.....	306,015	-	-	306,015
Public works.....	84,000	-	-	84,000
Culture and recreation.....	35,000	-	-	35,000
Assigned to:				
Encumbrances:				
General government.....	20,624	-	-	20,624
Public safety.....	5,445	-	-	5,445
Education.....	285,251	-	-	285,251
Public works.....	6,327	-	-	6,327
Human services.....	281	-	-	281
Culture and recreation.....	93	-	-	93
Employee benefits.....	1,693	-	-	1,693
Unassigned.....	3,383,113	(1,107,040)	(62,521)	2,213,552
Total Fund Balances.....	\$ 4,155,457	\$ (1,107,040)	\$ 4,492,166	\$ 7,540,583

NOTE 9 – STABILIZATION

At June 30, 2018, \$1,276,119 and \$652,222 has been set aside in a general stabilization fund and capital investment fund, respectively, and is reported as unassigned fund balance in the general fund. These funds can be used for general and/or capital purposes upon Town Meeting approval.

NOTE 10 – RISK FINANCING AND MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in a premium-based health care plan for its active employees.

The WBMLP participates in the Massachusetts Municipal Self-Insurance Trust (Trust) with 17 other municipalities for the purpose of sharing excess liability and officer's liability risks. Each participating municipality contributes an annual premium to the Trust based on frequency and severity of claims and share of group's total kilowatt-hour sales. Payments for claims are funded by Trust assets or, if required, additional contributions from the participants. Generally accepted accounting principles require that liabilities for self-insured claims be reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At December 31, 2017, the WBMLP considers its pro rata share of these losses to be immaterial to the financial statements.

NOTE 11 – PENSION PLAN

Plan Descriptions

The Town is a member of the Worcester Regional Retirement System (WRRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 97 member units. The WRRS is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the 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 the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2017. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$2,574,503 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$24,666,394 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the WRRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2017 was \$1,058,022, 20.64% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

The WBMLP's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2017 was \$189,754, 23.07% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2018, the Town reported a liability of \$17,050,437 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. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2017, the Town's proportion was 2.090%, which changed from its proportion measured at December 31, 2016 of 2.058%.

At December 31, 2017, the WBMLP reported a liability of \$3,271,998 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The WBMLP's proportion of the net pension liability was based on a percentage of the WBMLP contributions to the Town's total contributions as of December 31, 2016. At December 31, 2016, the WBMLP proportion was 18.98% of the Town's total contribution.

Pension Expense

For the year ended June 30, 2018, the Town recognized a pension expense of \$1,688,981. At June 30, 2018, the Town reported deferred outflows of resources related to pensions of \$1,124,417 and deferred inflows of resources related to pensions of \$952,937. Detailed on the following page are the components of these amounts.

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 86,746	\$ -	\$ 86,746
Difference between projected and actual earnings.....	-	(531,638)	(531,638)
Changes in assumptions.....	956,805	-	956,805
Changes in proportion and proportionate share of contributions.....	80,866	(421,299)	(340,433)
Total deferred outflows/(inflows) of resources.....	\$ 1,124,417	\$ (952,937)	\$ 171,480

The Town's net deferred outflows and inflows of resources related to pensions that will be recognized in pension expense as follows:

Year ended June 30:

2019.....	\$ 34,296
2020.....	34,296
2021.....	34,296
2022.....	34,296
2023.....	34,296
	<u>\$ 171,480</u>

For the year ended December 31, 2017, the WBMLP recognized a pension expense of \$392,206 and reported deferred outflows of resources related to pensions of \$807,621 and deferred inflows related to pensions of \$142,945. Detailed below are the components of these amounts.

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 26,680	\$ -	\$ 26,680
Difference between projected and actual earnings.....	113,540	-	113,540
Changes in assumptions.....	387,022	-	387,022
Changes in proportion and proportionate share of contributions.....	112,890	(142,945)	(30,055)
Contributions made subsequent to the measurement date.....	167,489	-	167,489
Total deferred outflows/(inflows) of resources.....	\$ 807,621	\$ (142,945)	\$ 664,676

The WBMLP's net deferred outflows of resources related to pensions that will be recognized in pension expense as follows:

Year ended June 30:

2018.....	\$ 284,557
2019.....	117,068
2020.....	116,718
2021.....	82,518
2022.....	63,815
2023.....	<u>664,676</u>

Deferred outflows of resources related to pensions as of December 31, 2017 includes \$167,489 of contributions made after the measurement date.

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 that was updated to December 31, 2017:

Valuation date.....	January 1, 2016
Actuarial cost method.....	Entry Age Normal
Amortization method.....	Payment increases 4.0% per year, except for Early Retirement Incentive (ERI) Programs for 2002 and 2003 (4.5%) and 2010 (level dollar)
Remaining amortization period.....	19 years
Asset valuation method.....	5-year smoothed market value
Inflation.....	3.00%
Projected salary increases.....	Group 1: 6%-4.25%, based on service; Group 4: 7%-4.75%, based on service
Investment rate of return.....	7.75%
Mortality rates:	
Healthy retirees.....	RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB.
Disabled retirees.....	RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

Investment policy - The pension plan's policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

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 real rates of return (expected returns, net of pension plan 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 pension plan's target asset allocation as of January 1, 2016, are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity.....	40.0%	4.91%
Fixed income.....	22.0%	2.04%
Private equity.....	11.0%	6.50%
Real estate.....	10.0%	3.70%
Timber/Natural resources.....	4.0%	3.25%
Hedge funds.....	13.0%	3.40%
Total.....	100.0%	

Rate of return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.71%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary 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.

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
The Town's proportionate share of the net pension liability.....	\$ 16,829,911	\$ 13,778,439	\$ 11,186,477
Municipal Light Plant's proportionate share of the net pension liability.....	\$ 3,941,160	\$ 3,271,998	\$ 2,707,114

The Town's proportionate share of the net pension liability of \$17,050,437 includes \$3,271,998 for the West Boylston Electric Light Department that will be recorded in their December 31, 2017, financial statements.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 60 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 40 percent of their premium costs. During 2018, the contributions for the Town totaled approximately \$717,000 and the WBMLP contribution totaled approximately \$78,000.

The Commonwealth of Massachusetts passed special legislation that has allowed the Municipal Light Plant to establish the other postemployment benefit trust fund to begin pre-funding its OPEB liabilities. During 2018, the WBMLP pre-funded future OPEB liabilities totaling \$87,428 by contributing funds to the OPEB trust fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Fund financial statements. As of December 31, 2017, the net position of the OPEB trust fund totaled \$770,305.

Investment policy – The WBMLP's policy in regard to the allocation of invested assets is established by MMWEC and may be amended any time. It is the policy of MMWEC to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

GASB Statement #74 – OPEB Plan Financial Reporting for the Municipal Light Plant

Measurement Date – GASB #74 requires the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016.

Employees Covered by Benefit Terms – The following table represents the Plan's membership at June 30, 2017:

	MLP
Active members.....	15
Inactive members currently receiving benefits.....	9
Total.....	<u>24</u>

Components of OPEB Liability – The following table represents the components of the Plan's OPEB liability as of June 30, 2017:

Total OPEB liability.....	\$ 1,268,994
Less: OPEB plan's fiduciary net position.....	<u>(715,378)</u>
Net OPEB liability.....	<u>\$ 553,616</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	56.37%

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2017, to be in accordance with GASB Statement #74:

Valuation date.....	June 30, 2016
Investment rate of return.....	7.5%, net of OPEB plan investment expense.
Health cost trend rate.....	5.5% for 2017, decreasing .5% per year to an ultimate rate of 4.5% for 2019 and later years.
Pre-retirement mortality.....	RP-2014 Blue Collar Mortality Table, with scale MP-2015, fully generational.
Post-retirement mortality Group 1 and 2.....	RP-2014 Blue Collar Mortality Table, set forward 5 years for males and 3 years for females, fully generational.
Post-retirement mortality Group 4.....	RP-2014 Blue Collar Mortality Table, set forward 3 years for males and 6 years for females, fully generational.

Rate of return – The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of OPEB plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the OPEB plan investments to the ending fair value of OPEB plan investments.

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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and cash equivalents.....	5.00%	0.25%
Equity.....	50.00%	8.50%
Fixed income.....	45.00%	5.65%
Total.....	100.00%	

Discount rate – The discount rate used to measure the total OPEB liability was 7.5% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected benefit payments to current plan members. Therefore the long-term expected rate of return on the OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 7.5%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net OPEB liability.....	\$ 714,244	\$ 553,616	\$ 420,495

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of 5.5%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease (4.5%)	Current Trend (5.5%)	1% Increase (6.5%)
Net OPEB liability.....	\$ 398,118	\$ 553,616	\$ 745,714

Changes of Assumptions — None.

Changes in Plan Provisions — None.

GASB Statement #75 – OPEB Employer Financial Reporting for the Town

Summary of Significant Accounting Policies – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Measurement Date – GASB Statement #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year, consistently applied from period to period. Accordingly, the net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

Plan Membership – The following table represents the Plan's membership at June 30, 2018:

	Town
Active members.....	195
Inactive members currently receiving benefits.....	195
Total.....	390

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was rolled back to June 30, 2018, to be in accordance with GASB Statement #75:

Valuation date.....	July 1, 2018
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Discount rate.....	4.00%
Investment rate of return.....	4%, net of investment expense.
Inflation rate.....	3.00%
Medical care inflation.....	2018 is 5.0% and 2019+ is 4.5%.
Current employees.....	Current active employees who are assumed to retire prior to age 65 are valued with a weighted-average current cost. This weighted average current cost is based on the medical plan coverage of current retirees under 65. At age 65 active participants are assumed to participate in the same manner as current retirees over age 65 in Medical Supplemental plans.
Pre-age 65 retirees.....	Current retirees, spouses and beneficiaries who are under age 65 are assumed to remain in their current medical plan until age 65. At age 65, all participants are assumed to participate in Medicare supplement plan in the same proportions as current post 65 retirees. Current active employees who are assumed to retire prior to age 65 are valued with a weighted-average premium. This weighted-average premium is based on the medical plan coverage of current retirees under age 65. At age 65, all participants are assumed to participate in post 65 Medicare Supplemental plans in the same proportions as current retirees over age 65.
Post-age 65 retirees.....	Current retirees over age 65 remain in their current medical; plan until death for purposes of measuring their contributions. Amounts to be received in the future for the Medicare Part D Retiree Drug Subsidy are not reflected in the valuation.
Mortality.....	<p>It is assumed that both pre-retirement mortality and beneficiary mortality is presented by the RP-2014 Blue Collar Mortality with Scale MP-2015, fully generational.</p> <p>Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for retired members for Group 4 is represented by the PR-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational.</p> <p>Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2015.</p>

The long-term expected rate of return on OPEB plan investments will be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation as of June 30, 2018, and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption.

At June 30, 2018, the Town had no investments.

Discount rate – The discount rate used to measure the total OPEB liability was 4.0% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore the long-term expected rate of return on the OPEB plan assets was applied to the all periods of projected future benefits payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2017.....	\$ 33,431,477	\$ 670,436	\$ 32,761,041
Changes for the year:			
Service cost.....	1,070,642	-	1,070,642
Interest.....	1,359,262	-	1,359,262
Net investment income.....	-	108,647	(108,647)
Employer contributions.....	-	717,386	(717,386)
Changes in assumptions and other inputs.....	(6,341,201)	-	(6,341,201)
Benefit payments.....	(1,051,423)	(715,893)	(335,530)
Expenses.....		(1,493)	1,493
Net change.....	(4,962,720)	108,647	(5,071,367)
Balances at June 30, 2018.....	\$ 28,468,757	\$ 779,083	\$ 27,689,674

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the net other postemployment benefit liability, calculated using the discount rate of 4.0%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.0%) or 1-percentage-point higher (5.0%) than the current discount rate.

	1% Decrease (3.00%)	Current Discount Rate (4.00%)	1% Increase (5.00%)
Net OPEB liability.....	\$ 32,310,220	\$ 27,689,674	\$ 23,993,200

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 23,545,023	\$ 27,689,674	\$ 33,032,208

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$1,205,154. At June 30, 2018, the Town reported deferred outflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Inflows of Resources
Differences between expected and actual experience.....	\$ (198,390)
Difference between projected and actual earnings.....	(65,464)
Changes in assumptions.....	(4,959,751)
Total deferred outflows/(inflows) of resources.....	\$ (5,223,605)

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

Measurement date year ended June 30:

2019.....	\$ (1,199,426)
2020.....	(1,199,426)
2021.....	(1,199,426)
2022.....	(1,199,426)
2023.....	(425,901)
	\$ (5,223,605)

Changes of Assumptions — None.

Changes in Plan Provisions – None.

GASB Statement #45 – Municipal Light Plant OPEB Liability

Plan Description – The Plant participates in the town sponsored single employer defined benefit health plan. The Plant provides certain health care and life insurance benefits for eligible retirees, spouses and dependents. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan.

At June 30, 2016, WBMLP's membership consisted of the following:

	<u>MLP</u>
Active members.....	15
Inactive members currently receiving benefits.....	<u>9</u>
Total.....	<u><u>24</u></u>

Funding Policy – WBMLP recognizes the cost of providing these benefits, in accordance with government accounting standards, on a full refunding basis, by expensing the annual insurance premiums charged to WBMLP by the Town, which aggregated approximately \$190,838 for the year ended December 31, 2017, respectively. The cost of providing these benefits for retirees is not readily separable from the cost for active employees. Retired plan members and beneficiaries contribution rates vary by individual based on the health plan they are enrolled in.

Annual OPEB Cost and Net OPEB Obligation – The Plant's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The components of the Plant's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Plant's net OPEB obligation are summarized in the following table:

Annual Required Contribution.....	\$ 59,452
Interest on existing net OPEB obligation.....	3,609
Amortization of net OPEB obligation.....	<u>(4,503)</u>
Annual OPEB cost.....	58,558
 Expected benefit payments.....	 <u>(77,846)</u>
 Increase/Decrease in net OPEB obligation.....	 (19,288)
 Net OPEB obligation - beginning of year.....	 <u>90,229</u>
 Net OPEB obligation - end of year.....	 <u><u>\$ 70,941</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years is as follows:

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2017	\$ 58,558	132.9%	\$ 70,941
12/31/2016	58,470	174.2%	90,229
12/31/2015	128,929	72.2%	117,854

Funded Status and Funding Progress – As of June 30, 2017, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1.3 million. At December 31, 2017, the WBMLP had assets of \$770,000 for this obligation.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the June 30, 2016 actuarial valuation the projected unit credit cost method was used. The actuarial assumptions included an initial annual healthcare cost trend rate of 5.5% initially, reduced by decrements to an ultimate rate of 4.5%. The Plant's unfunded actuarial accrued liability is being amortized assuming 30 year closed basis.

NOTE 13 – COMMITMENTS

The Town is currently committed to the construction of a new senior center. The Town has authorized a borrowing totaling \$5.7 million for the project.

NOTE 14 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by

the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

The Town is subject to various legal actions and claims. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2018.

The WBMLP is subject, like other electric utilities, to evolving standards administered by federal, state and local authorities relating to the quality of the environment. These standards affect the sighting of electric property, ambient air and water quality, plant safety and other environmental factors. These standards have had an impact on the WBMLP's operations in the past and they will continue to have an impact on future operations, capital costs and construction schedules.

NOTE 15 – PURCHASE POWER WORKING CAPITAL

The purchased power working capital is an amount held by Massachusetts Municipal Wholesale Electric Company (MMWEC), the Plant's power supply agent. The implementation of the Working Capital Program began August 1, 1985. MMWEC participants approved certain working capital amendments to the various power purchase agreements. MMWEC requires that they hold a set amount of capital from which it may pay power obligations when they are due. They replenish the fund as needed from the monthly invoice payments. The income earned allocated to the Plant is applied as a credit to MMWEC Power Sales Billing. The balance in the fund as of December 31, 2017 is \$971,802.

NOTE 16 – RATE STABILIZATION FUND

The rate stabilization fund was created as an aftermath of the Massachusetts Electricity Restructuring Act of 1997. These funds are for unexpected escalation in costs, such as the decommissioning of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices and transmission cost increases. The rate stabilization fund balance at December 31, 2017, was \$3,628,784. These funds are commingled and deposited in investment pools. The total amount of these investment pools as of December 31, 2017, was \$80,295,538, of which WBMLP's ownership was approximately 4.5%.

NOTE 17 – MASSACHUSETTS MUNICIPAL LIGHT

The WBMLP is a participant in certain projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should any Project Participant fail to make any payment when due, other Project Participants of the Project may be required to

increase (step-up) their payments and correspondingly their Participants' share of Project Capability to an additional amount not to exceed 25% of their original Participants' share of the Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under PSAs.

The WBMLP has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both these agreements, the WBMLP is required to make certain payments to MMWEC. The payments required to be made to MMWEC and the PSAs and the PPAs are payable solely from WMGLD revenues. Under the PSAs, each Participant is unconditionally obligated to make payments due to MMWEC, whether or not the Project(s) is completed or operating, and notwithstanding the suspension or interruption of the output of the Project(s).

Through membership in MMWEC, the Plant is contingently liable on various projects, which it participates as detailed as to follow.

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bond of the Project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, a subsidiary of NextEra Energy Resources LLC, and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates the Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC (NextEra Seabrook) the majority owner and an indirect subsidiary of NextEra Energy Resources LLC. The operating license for Seabrook Station extends to March 15, 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

Pursuant to the PSA's, the MMWEC Seabrook and Millstone Project participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Project participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

MMWEC is involved in various legal actions. In the opinion of management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of the company.

As of December 31, 2017, total capital expenditures amounted to \$1,583,481,000, of which \$23,465,000 represents the amount associated with Plant's Project Capability. MMWEC's debt outstanding for the Projects from Power Supply System Revenue Bonds totals \$10,680,000, of which \$114,000 is associated with the Plant's share of Project Capability. As of December 31, 2017, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$11,425,000, of which \$122,000 is anticipated to be billed to the Plant in the future.

The aggregate amount of WMMLP's required payments under the PSAs and PPAs, exclusive to the Reserve and Contingency Fund billings, to MMWEC at December 31, 2017 and estimated for future years is shown below.

		<u>Annual Costs</u>
For the years ended December 31,	2018 \$	66,000
	2019	<u>56,000</u>
Total.....	\$	<u><u>122,000</u></u>

In addition, under the PSAs, the Plant is required to pay to MMWEC its share of the operation and maintenance (O&M) costs of the Projects in which it participates. The Plant's total O&M costs including debt service under the PSAs were \$1,515,000 for the year ended December 31, 2017.

NOTE 18 – INVESTMENT IN ASSOCIATED COMPANIES

Massachusetts Municipal Light Department Solar Energy Cooperative Corporation

The WBMLP is a member of the Massachusetts Municipal Light Department Solar energy Cooperative Corporation (Cooperative).

The Cooperative is organized under Chapter 164: Section 47C of the State of Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by the MMWEC and the WBMLP for the purpose of financing, owning, constructing and operating solar generation facilities located in the Town of West Boylston.

The powers of the Cooperative are exercised by the Board of Directors who have the right to conduct business and carry on operations. The Board of Directors is comprised of one director who represents MMWEC and two or more Directors who represent the WBMLP.

The Cooperative is a self-sustaining 369.6 kilowatt solar photovoltaic energy project comprised of 1,760 solar panels installed at the intersection of Paul X. Tivnan Road and Shrewsbury Street in West Boylston, Massachusetts. The Cooperative provides both operational and financial value to the WBMLP by delivering clean, renewable electricity to its customers.

WBMLP has advanced amounts to the Cooperative in order to pay for development costs associated with the West Boylston facilities that are in excess of the bond proceeds. The advances are classified as long term as repayment is not anticipated within the current year. There are no specific repayments terms. As of December 31, 2017, the total advances to the Cooperative were \$815,564.

The cooperative entered into a 20 year lease agreement on June 29, 2010, with the WBMLP. Under the lease agreement, the Cooperative may finance, purchase, acquire, own, hold, install and maintain, or cause to be installed and maintained, a ground-mounted photovoltaic installation for the production of solar energy on the West Boylston facilities. This lease agreement requires lease payments of \$1 each month for the term of the lease.

The Berkshire Wind Cooperative Corporation

The WBMLP is a member of the Berkshire Wind Cooperative Corporation (Berkshire Cooperative).

The Berkshire Cooperative is organized under Chapters 157 and 164: Section 47C of the State of Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Berkshire Cooperative was formed by the Massachusetts Municipal Wholesale Electric Cooperative (MMWEC) and 14 Municipal Light Departments (Members) for the purpose of financing, owning, constructing and operating wind generation facilities located on Brodie Mountain in the towns of Hancock and Lanesborough, Massachusetts (Berkshire Wind Facility).

The Berkshire Cooperative has constructed and installed 10 1.5-megawatt wind turbines at the Berkshire Wind Facility. The Berkshire Cooperative provides wind energy to MMWEC pursuant to the Berkshire Wind Power Purchase Agreement dated May 21, 2008 between MMWEC and the Berkshire Cooperative. Under this agreement, MMWEC entered into a Power Sales Contract with the Berkshire Cooperative pursuant to which MMWEC has agreed to purchase 100% of the capacity and energy output and, to the extent uncommitted to any third party under existing agreements, associated environmental energy attributes of a wind power generating facility to be owned, constructed and operated by the Berkshire Cooperative at the Berkshire Wind Facility.

MMWEC sells all of the capability of the Berkshire Wind Facility (Capability) to the Members of the Berkshire Cooperative (Members) under Power Purchase Agreements (PPAs). Among other things, the PPAs require each Berkshire Cooperative Member to pay its pro rata share of the costs related to the Berkshire Wind Facility, which costs include debt service on the bonds issued by the Berkshire Cooperative to finance the Berkshire Wind Facility, plus 10% of the debt service to be paid into a Reserve and Contingency Fund. In addition, should a Berkshire Cooperative Member fail to make any payment when due, other Berkshire Cooperative Members may be required to increase (step-up) their payments and correspondingly their share of the Capability to an additional amount.

The Berkshire Cooperative has issued revenue bonds, which are payable solely from, and secured solely by, the revenues derived from the Berkshire Wind Facility. The revenues are used solely to provide for the payment of any bond issue relating to the Berkshire Wind Facility and to pay the Berkshire Cooperative's cost of owning and operating the Berkshire Wind Facility.

The WBMLP has entered into a PPA with the Berkshire Cooperative. Under the PPA, the WMGLD is required to make certain payments to the Berkshire Cooperative. Under the PPA, each Participant is unconditionally obligated to make all payments due to the Berkshire Cooperative, whether or not the Berkshire Wind Facility is completed or operating, and notwithstanding the suspension or interruption of the output of the Berkshire Wind Facility. In addition, under the PPA, the WMGLD is required to pay to the Berkshire Cooperative its share of the Operation and Maintenance (O&M) costs of the Berkshire Wind Facility.

As of December 31, 2017, total capital expenditures for the Berkshire Wind Facility amounted to \$59,256,145, of which \$3,185,000, represents the amount associated with the WBMLP share of the Capability of the Berkshire Wind Facility of which it is a Member, although such amount is not allocated to the WMGLD. The Berkshire Cooperative's debt outstanding for the Berkshire Wind Facility includes bonds totaling \$46,000,000, of which \$2,473,000 is associated with the WBMLP share of Capability of the Berkshire Wind Facility of which it is Member, although such amount is not allocated to the WMGLD. As of December 31, 2017, the Berkshire Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$63,399,000 which \$3,354,000 is anticipated to be billed to the WBMLP in the future.

The estimated aggregate amount of the WBMLP required payments under the PSA, exclusive of the Reserve and Contingency Fund billings, to the Berkshire Cooperative at December 31, 2017, and estimated for future years is shown below.

	<u>Annual Costs</u>
2018 \$	274,000
2019	271,000
2020	256,000
2021	256,000
2022	256,000
2023 to 2027	1,278,000
2028 to 2030	<u>763,000</u>
Total..... \$	<u><u>3,354,000</u></u>

Other Power Supply

The Plant has entered into a service agreement with MMWEC, under which MMWEC performs bulk power supply services to the Plant, including service related to owned generation, purchased power contracts or other power supply arrangements.

Under the terms of the service agreement, the Plant is committed to purchase additional power through MMWEC in the amount of \$517,110 in 2018, \$286,210 in 2019, \$85,562 in 2020 and \$83,082 in 2021.

NOTE 19 – REVISION OF NET POSITION PREVIOUSLY REPORTED

	<u>06/30/2017 Previously Reported Balances</u>	<u>Implementation of GASB #75</u>	<u>06/30/2017 Revised Balances</u>
<i>Government-Wide Financial Statements</i>			
Governmental activities..... \$	(1,450,581)	\$ (20,701,645)	\$ (22,152,226)
Business-type activities.....	<u>37,982,191</u>	<u>(116,197)</u>	<u>37,865,994</u>
Total..... \$	<u><u>36,531,610</u></u>	<u><u>(20,817,842)</u></u>	<u><u>15,713,768</u></u>
<i>Business-type Activities - Enterprise Funds</i>			
Sewer enterprise fund..... \$	<u><u>29,980,580</u></u>	<u><u>(116,197)</u></u>	<u><u>29,864,383</u></u>

NOTE 20 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 20, 2018, which is the date the financial statements were available to be issued.

NOTE 21 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2018, the following GASB pronouncements were implemented:

- GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #81, *Irrevocable Split-Interest Agreements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #85, *Omnibus 2017*. This pronouncement did not impact the basic financial statements.
- GASB Statement #86, *Certain Debt Extinguishment Issues*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2019.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- The GASB issued Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is required to be implemented in 2019.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2020.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

This page intentionally left blank.

Required Supplementary Information

General Fund Budgetary Schedule

The General Fund is the general operating fund of the Town. It is used to account for all the financial resources, except those required to be accounted for in another fund.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 16,818,976	\$ 16,818,976	\$ 16,818,976
Tax liens.....	-	-	-	-
Motor vehicle and other excise taxes.....	-	995,000	995,000	995,000
Hotel/motel/meals tax.....	-	177,000	177,000	177,000
Charges for services.....	-	135,000	135,000	135,000
Penalties and interest on taxes.....	-	70,000	70,000	70,000
Payments in lieu of taxes.....	-	670,000	670,000	670,000
Licenses and permits.....	-	225,000	225,000	225,000
Fines and forfeitures.....	-	30,000	30,000	30,000
Intergovernmental - other.....	-	3,888,327	3,888,327	3,888,327
Investment income.....	-	5,000	5,000	5,000
Miscellaneous.....	-	-	-	-
TOTAL REVENUES.....	-	23,014,303	23,014,303	23,014,303
EXPENDITURES:				
Current:				
General government.....	87,257	1,203,126	1,290,383	1,339,040
Public safety.....	121,875	2,533,887	2,655,762	3,589,932
Education.....	287,374	11,690,750	11,978,124	11,978,124
Public works.....	120,673	1,381,880	1,502,553	1,857,517
Health and human services.....	-	228,800	228,800	191,524
Culture and recreation.....	12,642	397,723	410,365	446,865
Pension benefits.....	-	1,048,152	1,048,152	1,048,152
Employee benefits.....	1,556	3,779,448	3,781,004	3,600,490
State and county charges.....	-	474,542	474,542	474,542
Capital outlay.....	-	217,071	217,071	217,071
Debt service:				
Principal.....	-	200,301	200,301	200,301
Interest.....	-	274,329	274,329	257,329
TOTAL EXPENDITURES.....	631,377	23,430,009	24,061,386	25,200,887
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(631,377)	(415,706)	(1,047,083)	(2,186,584)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	175,000	175,000	787,550
Transfers out.....	-	(396,960)	(396,960)	(686,460)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(221,960)	(221,960)	101,090
NET CHANGE IN FUND BALANCE.....	(631,377)	(637,666)	(1,269,043)	(2,085,494)
BUDGETARY FUND BALANCE, Beginning of year.....	-	1,942,226	1,942,226	1,942,226
BUDGETARY FUND BALANCE, End of year.....	\$ (631,377)	\$ 1,304,560	\$ 673,183	\$ (143,268)

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	16,852,576	\$ -	\$ 33,600
	31,902	-	31,902
	1,160,136	-	165,136
	185,128	-	8,128
	227,220	-	92,220
	41,044	-	(28,956)
	683,582	-	13,582
	143,645	-	(81,355)
	31,962	-	1,962
	4,165,592	-	277,265
	20,961	-	15,961
	16,099	-	16,099
	23,559,847	-	545,544
	1,130,122	48,239	160,679
	2,608,370	311,460	670,102
	11,684,091	285,251	8,782
	1,738,935	90,327	28,255
	166,841	281	24,402
	407,952	35,093	3,820
	1,048,152	-	-
	3,503,446	1,693	95,351
	390,385	-	84,157
	217,071	-	-
	200,301	-	-
	255,037	-	2,292
	23,350,703	772,344	1,077,840
	209,144	(772,344)	1,623,384
	787,550	-	-
	(711,804)	-	(25,344)
	75,746	-	(25,344)
	284,890	(772,344)	1,598,040
	1,942,226	-	-
\$	2,227,116	\$ (772,344)	\$ 1,598,040

Pension Plan Schedules

The Schedule of the Town's and WBMLP Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of Contributions presents multi-year trend information on the Town's and WBMLP required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
WORCESTER REGIONAL RETIREMENT SYSTEM**

<u>Year</u>	<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered- employee payroll</u>	<u>Net pension liability as a percentage of covered- employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
December 31, 2017.....	2.090%	\$ 17,050,437	\$ 5,126,766	332.58%	46.40%
December 31, 2016.....	2.058%	17,235,420	5,586,041	308.54%	42.00%
December 31, 2015.....	2.063%	14,645,921	5,301,789	276.24%	44.52%
December 31, 2014.....	2.250%	13,366,720	5,097,874	262.20%	47.90%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE MUNICIPAL LIGHT PLANT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
WORCESTER REGIONAL RETIREMENT SYSTEM**

<u>Year</u>	<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered- employee payroll</u>	<u>Net pension liability as a percentage of covered- employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
December 31, 2016.....	0.332%	3,271,998	822,437	397.84%	42.00%
December 31, 2015.....	0.386%	2,737,718	782,817	349.73%	44.52%
December 31, 2014.....	0.400%	2,380,599	780,072	305.18%	47.00%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS
WORCESTER REGIONAL RETIREMENT SYSTEM**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2018.....	\$ 1,058,022	\$ (1,058,022)	\$ -	\$ 5,126,766	20.64%
June 30, 2017.....	999,539	(999,539)	-	5,586,041	17.89%
June 30, 2016.....	928,227	(928,227)	-	5,301,789	17.51%
June 30, 2015.....	887,697	(887,697)	-	5,097,874	17.41%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE MUNICIPAL LIGHT PLANT'S CONTRIBUTIONS
WORCESTER REGIONAL RETIREMENT SYSTEM**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
December 31, 2017.....	\$ 189,754	\$ (189,754)	- \$	822,437	23.07%
December 31, 2016.....	173,511	(173,511)	-	782,817	22.16%
December 31, 2015.....	158,098	(158,098)	-	780,072	20.27%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

<u>Year</u>	<u>Commonwealth's 100% Share of the Associated Net Pension Liability</u>	<u>Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2018.....	\$ 24,666,394	\$ 2,574,503	54.25%
2017.....	23,696,325	2,417,180	52.73%
2016.....	21,783,289	1,766,819	55.38%
2015.....	16,638,669	1,155,968	61.64%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Changes in the Town's and Plant's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll.

The Schedule of the Town's and Plant's Contributions presents multi-year trend information on the actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification trends in the amounts reported.

**SCHEDULE OF CHANGES IN THE
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2018
Total OPEB Liability	
Service Cost.....	\$ 1,070,642
Interest.....	1,359,262
Changes of benefit terms.....	-
Differences between expected and actual experience.....	(243,892)
Changes of assumptions.....	(6,097,309)
Benefit payments.....	<u>(1,051,423)</u>
Net change in total OPEB liability.....	(4,962,720)
Total OPEB liability - beginning.....	<u>33,431,477</u>
Total OPEB liability - ending (a).....	<u>\$ 28,468,757</u>
Plan fiduciary net position	
Employer contributions.....	\$ 717,386
Employer contributions for OPEB payments.....	-
Net investment income.....	108,647
Benefit payments.....	(715,893)
Administrative expense.....	<u>(1,493)</u>
Net change in plan fiduciary net position.....	108,647
Plan fiduciary net position - beginning of year.....	<u>670,436</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 779,083</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 27,689,674</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	2.7%
Covered-employee payroll.....	\$ 12,681,137
Net OPEB liability as a percentage of covered-employee payroll.....	218.4%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

**SCHEDULE OF CHANGES IN THE
MUNICIPAL LIGHT PLANT NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017
Total OPEB Liability	
Service Cost.....	\$ 16,317
Interest.....	91,592
Changes of benefit terms.....	-
Differences between expected and actual experience.....	-
Changes of assumptions.....	-
Benefit payments.....	(86,095)
Net change in total OPEB liability.....	21,814
Total OPEB liability - beginning.....	1,247,180
Total OPEB liability - ending (a).....	\$ 1,268,994
Plan fiduciary net position	
Employer contributions.....	\$ 81,222
Employer contributions for OPEB payments.....	-
Net investment income.....	75,047
Benefit payments.....	(79,889)
Administrative expense.....	(1,333)
Net change in plan fiduciary net position.....	75,047
Plan fiduciary net position - beginning of year.....	640,331
Plan fiduciary net position - end of year (b).....	\$ 715,378
Net OPEB liability - ending (a)-(b).....	\$ 553,616
Plan fiduciary net position as a percentage of the total OPEB liability.....	56.37%
Covered-employee payroll.....	\$ 822,437
Net OPEB liability as a percentage of covered-employee payroll.....	67.31%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2018.....	717,386	(715,893)	1,493	12,681,137	5.65%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE MUNICIPAL LIGHT PLANT EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
December 31, 2017	81,222	(87,428)	(6,206)	822,437	10.63%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
December 31, 2017.....	6.80%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

See notes to required supplementary information.

WEST BOYLSTON MUNICIPAL LIGHT PLANT

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a percentage of Covered Payroll ((B-A)/C)
6/30/2017	\$ 770,305	\$ 1,298,041	\$ 527,736	\$ 59.34%	\$ 822,437	\$ 64.17%
6/30/2016	670,436	1,298,041	627,605	51.65%	782,817	80.20%
6/30/2014	619,712	2,173,106	1,553,394	28.52%	780,072	199.10%
6/30/2012	-	2,088,118	2,088,118	0.00%	727,626	287.00%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
12/31/2017	58,558	77,846	132.9%
12/31/2016	58,470	86,095	147.2%
12/31/2015	128,929	93,145	72.2%
12/31/2014	125,846	715,057	568.2%

See notes to required supplementary information.

**WEST BOYLSTON MUNICIPAL LIGHT PLANT
OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS**

YEAR ENDED JUNE 30, 2018

Actuarial Methods:

Valuation date.....	June 30, 2016
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	30-year closed basis
Remaining amortization period.....	20 years

Actuarial Assumptions:

Assumed retirement.....	Age 55
Discount rate.....	7.50%
Projected salary increases.....	3.00%
Healthcare cost trend rate.....	5.5% initially reduced to an ultimate rate of 4.5%

Plan membership:

Current retirees and beneficiaries.....	15
Current active members.....	<u>9</u>
Total.....	<u><u>24</u></u>

See notes to required supplementary information.

NOTE A – BUDGETARY BASIS OF ACCOUNTING**1. Budgetary Information**

Municipal Law requires the adoption of a balanced budget for the general fund that is approved by Town Meeting. The Town Administrator and the Finance Committee present an annual budget to the Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a supplemental appropriation.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote at Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2018 approved budget authorized \$24.5 million in appropriations and other amounts to be raised and \$631,000 in encumbrances and continuing appropriations carried over from previous years. Supplemental appropriations of \$1.4 million were approved during 2018.

The Town Accountant has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2018, is presented below:

Net change in fund balance - budgetary basis.....	\$	284,890
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		271,433
<u>Basis of accounting differences:</u>		
Net change in recording accrued expenditures.....		53,494
Recognition of revenue for on-behalf payments.....		2,574,503
Recognition of expenditures for on-behalf payments.....		<u>(2,574,503)</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>609,817</u></u>

NOTE B – PENSION PLAN**A. Schedule of the Town and Plant's Proportionate Share of the Net Pension Liability**

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Town and Plant's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

Changes in Assumptions – None.

Changes in Plan Provisions - None

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town of West Boylston administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town's health insurance plan, which covers both active and retired members, including teachers. The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go. In accordance with *Governmental Accounting Standards*, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Other Postemployment Benefit Plan**The Schedule of Changes in the Town and Plant's Net Other Postemployment Benefit Liability and Related Ratios**

The Schedule of Changes in the Town and Plant's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net

position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll.

Schedule of the Town and Plant's Contributions

The Schedule of the Town and Plant's Contributions includes the annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered-employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered-employee payroll. Actuarially contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2018
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Discount rate.....	4.00%
Investment rate of return.....	4%, net of investment expense.
Inflation rate.....	3.00%
Medical care inflation.....	2018 is 5.0% and 2019+ is 4.5%.
Current employees.....	Current active employees who are assumed to retire prior to age 65 are valued with a weighted-average current cost. This weighted average current cost is based on the medical plan coverage of current retirees under 65. At age 65 active participants are assumed to participate in the same manner as current retirees over age 65 in Medical Supplemental plans.
Pre-age 65 retirees.....	Current retirees, spouses and beneficiaries who are under age 65 are assumed to remain in their current medical plan until age 65. At age 65, all participants are assumed to participate in Medicare supplement plan in the same proportions as current post 65 retirees. Current active employees who are assumed to retire prior to age 65 are valued with a weighted-average premium. This weighted-average premium is based on the medical plan coverage of current retirees under age 65. At age 65, all participants are assumed to participate in post 65 Medicare Supplemental plans in the same proportions as current retirees over age 65.
Post-age 65 retirees.....	Current retirees over age 65 remain in their current medical; plan until death for purposes of measuring their contributions. Amounts to be received in the future for the Medicare Part D Retiree Drug Subsidy are not reflected in the valuation.

Mortality.....	<p>It is assumed that both pre-retirement mortality and beneficiary mortality is presented by the RP-2014 Blue Collar Mortality with Scale MP-2015, fully generational.</p> <p>Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for retired members for Group 4 is represented by the PR-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational.</p> <p>Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2015.</p>
----------------	---

Schedule of Investment Returns

The Schedule of Investment Return includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

Changes of Assumptions - None.

Changes in Provisions - None.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.