

**TOWN OF BLACKSTONE, MASSACHUSETTS**

Report on Examination of  
Basic Financial Statements  
and Additional Information  
Year Ended June 30, 2017

Report on Internal Control  
Over Financial Reporting and  
On Compliance and Other Matters  
Year Ended June 30, 2017

# TOWN OF BLACKSTONE, MASSACHUSETTS

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## INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen  
Town of Blackstone, Massachusetts

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 Blackstone, Massachusetts, (the "Town") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Restatement

The Town's basic financial statements as of and for the year ended June 30, 2016 were audited by us and our opinion, dated January 19, 2017, on those basic financial statements was unmodified. The Town restated its net position in its governmental activities at June 30, 2016 to include capital lease obligations. The result of this restatement was a decrease in net position of \$317,178. Our report in the basic financial statement was before this restatement.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the Town's proportionate share of net pension liability and contributions to pension plan, the schedule of the Commonwealth's collective share of the Massachusetts Teachers' Retirement System's net pension liability, the funding progress and contribution funding for other postemployment benefits, the schedules of changes in net other postemployment liability, ratios and contributions, schedule of investment returns for other postemployment benefit plans and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 a report dated [Date Pending Approval] on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Roselli, Clark & Associates*

Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
November 28, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Blackstone, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

### **Financial Highlights**

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by over \$29.9 million (*total net position*) at June 30, 2017. This represents an increase of approximately \$0.7 million from the prior year. The Town's net position in its governmental activities increased nearly \$0.3 million while its net position in its business-type activities increased over \$0.4 million.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$12.3 million, which is approximately \$0.6 million greater than the prior year. The Town reported a positive change in fund balance in its general and capital investment funds of approximately \$668,000 and \$156,000, respectively. These increases were offset by a fund balance decrease of approximately \$176,000 in the nonmajor governmental funds.
- Of the ending fund balance in the Town's governmental funds, approximately \$5.2 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was approximately 30% of the total general fund expenditures and the total general fund balance was approximately 40% of the total general fund expenditures.
- The Town's total long-term debt in its governmental activities and business-type activities decreased by nearly \$1.2 million in 2017. The Town's total long-term debt was approximately \$8.7 million at June 30, 2017.
- The Town will adopt a new accounting standard in fiscal year 2018 relative to other postemployment benefits, or OPEB. The Town will be required to present in its government-wide and proprietary fund financial statements its net OPEB *liability*. Under the current accounting standards, the Town presents its net OPEB *obligation* in the government-wide and proprietary fund financial statements, which at June 30, 2017 was approximately \$1.1 million lower than its net OPEB *liability*. The adoption of this accounting standard, like the Town's adoption of pension accounting standard in fiscal year 2015, will have a material impact on the Town's unrestricted net position in the affected financial statements.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) 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 the Town's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the Town's assets and deferred outflows of resources and its liabilities and deferred inflows of resources, 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 of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (*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 of the Town include general government, public safety, highways and streets, sanitation, education through a regional district, community development, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include its water and sewer operations.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

- Nonspendable —amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid expenses) or (b) legally or contractually required to be maintained intact.
- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed—amounts constrained by a government using its highest level of decision-making authority.
- Assigned—amounts a government intends to use for a particular purpose.
- Unassigned—amounts that are not constrained at all will be reported in the general fund.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Reconciliations are provided in the basic financial statements to help the reader understand the differences.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital investment fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town 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. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes to the financial statements.

**Proprietary Funds.** *Proprietary funds* are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The Town utilizes the proprietary funds to report activities of its enterprise 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 water and 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 statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the 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

The condensed comparative statements of net position are as follows:

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016 (a)</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016 (a)</u>
<b><u>Assets</u></b>						
Current and other assets	\$ 14,888,243	\$ 13,782,565	\$ 2,647,160	\$ 2,433,256	\$ 17,535,403	\$ 16,215,821
Capital assets, net	18,438,769	18,725,887	16,986,168	17,532,618	35,424,937	36,258,505
<b>Total assets</b>	<b>33,327,012</b>	<b>32,508,452</b>	<b>19,633,328</b>	<b>19,965,874</b>	<b>52,960,340</b>	<b>52,474,326</b>
<b><u>Deferred Outflows of Resources</u></b>						
Pensions	1,511,089	676,970	131,398	58,867	1,642,487	735,837
<b><u>Liabilities</u></b>						
Long-term liabilities	12,946,969	11,694,359	8,618,041	9,315,853	21,565,010	21,010,212
Other liabilities	1,074,393	532,899	219,152	172,656	1,293,545	705,555
<b>Total liabilities</b>	<b>14,021,362</b>	<b>12,227,258</b>	<b>8,837,193</b>	<b>9,488,509</b>	<b>22,858,555</b>	<b>21,715,767</b>
<b><u>Deferred Inflows of Resources</u></b>						
Pensions	1,662,298	2,082,072	144,547	181,050	1,806,845	2,263,122
<b><u>Net Position</u></b>						
Net investment in capital assets	17,401,306	17,390,499	9,358,094	9,066,542	26,759,400	26,457,041
Restricted	1,646,569	1,379,330	-	-	1,646,569	1,379,330
Unrestricted	106,566	106,263	1,424,892	1,288,640	1,531,458	1,394,903
<b>Net Position</b>	<b>\$ 19,154,441</b>	<b>\$ 18,876,092</b>	<b>\$ 10,782,986</b>	<b>\$ 10,355,182</b>	<b>\$ 29,937,427</b>	<b>\$ 29,231,274</b>

(a) As restated to record capital leases. Refer to Note V to the financial statements.

The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by over \$29.9 million (*total net position*). The Town reported positive balances in all categories of net position at both June 30, 2017 and 2016.

The government-wide financial statements include approximately \$11.2 million and \$1.0 million in long-term obligations associated with other postemployment benefits and pension liabilities in the Town's governmental activities and business-type activities, respectively. These long-term liabilities are reflected as deductions to the Town's unrestricted net position.

The largest portion of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (approximately \$1.6 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance (approximately \$1.5 million) is referred to as *unrestricted net position*, and may be used to meet the government's ongoing obligations to citizens and creditors.

The condensed comparative statements of activities are as follows:

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	Year Ended		Year Ended		Year Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 1,053,677	\$ 897,908	\$ 1,773,936	\$ 1,811,031	\$ 2,827,613	\$ 2,708,939
Operating grants and contributions	459,290	435,267	-	168,700	459,290	603,967
Capital grants and contributions	235,498	476,307	-	-	235,498	476,307
General revenues:						
Property taxes	16,995,974	16,362,643	-	-	16,995,974	16,362,643
Intergovernmental	1,331,613	1,261,792	-	-	1,331,613	1,261,792
Other	1,414,348	1,551,275	-	-	1,414,348	1,551,275
Total revenues	<u>21,490,400</u>	<u>20,985,192</u>	<u>1,773,936</u>	<u>1,979,731</u>	<u>23,264,336</u>	<u>22,964,923</u>
<u>Expenses</u>						
General government	2,301,572	1,818,828	-	-	2,301,572	1,818,828
Public safety	4,171,352	4,171,209	-	-	4,171,352	4,171,209
Education	9,799,217	9,710,192	-	-	9,799,217	9,710,192
Public works	2,439,839	2,216,817	-	-	2,439,839	2,216,817
Health and human services	555,271	538,210	-	-	555,271	538,210
Culture and recreation	877,495	853,286	-	-	877,495	853,286
Debt service	61,183	25,772	-	-	61,183	25,772
Recycling	-	-	-	360,206	-	360,206
Sewer and water	-	-	2,352,254	2,083,147	2,352,254	2,083,147
Total expenses	<u>20,205,929</u>	<u>19,334,314</u>	<u>2,352,254</u>	<u>2,443,353</u>	<u>22,558,183</u>	<u>21,777,667</u>
Change in net position before transfers	1,284,471	1,650,878	(578,318)	(463,622)	706,153	1,187,256
Transfers	<u>(1,006,122)</u>	<u>(871,250)</u>	<u>1,006,122</u>	<u>871,250</u>	-	-
Change in net position	278,349	779,628	427,804	407,628	706,153	1,187,256
Net position, beginning of year	18,876,092	18,413,642	10,355,182	9,947,554	29,231,274	28,361,196
Restatement for capital leases (a)	-	(317,178)	-	-	-	(317,178)
Net position, end of year	<u>\$ 19,154,441</u>	<u>\$ 18,876,092</u>	<u>\$ 10,782,986</u>	<u>\$ 10,355,182</u>	<u>\$ 29,937,427</u>	<u>\$ 29,231,274</u>

(a) Restatement to record capital leases. Refer to Note V to the financial statements.

**Governmental Activities.** During fiscal year 2017, Town property taxes (which include PILOT revenues) comprised approximately 79% of total revenues, which is consistent with prior year's ratio of 78%. In terms of actual dollars, the Town's property taxes increased over \$0.6 million, or approximately 3.9%, from the prior year. The increase was consistent with the normal growth under Proposition 2 ½ plus new growth. No other revenues were greater than 10% of total revenues in fiscal years 2017 or 2016.

The Town's largest expense category is education, which the Town continues to devote substantial resources towards. Education expenses totaled approximately 48% of total annual expenditures in fiscal year 2017, which was consistent with the prior year's ratio of 50%. Public safety and public works expenses represented approximately 21% and 12% of total annual expenditures in fiscal year 2017, respectively; each of which was consistent with their prior year's ratio. No other expense categories were greater than 10% in fiscal years 2017 or 2016.

**Business-Type Activities.** User charges represent the majority of the reported revenues in both fiscal years 2017 and 2016. The results of operations in 2016 for the Town's business-type activities included revenues of approximately \$192,000 from its recycling operations, which was closed as an enterprise fund at the conclusion of fiscal year 2016 and is now accounted and reported in the Town's general fund. Excluding the effects of the recycling operations, business-type revenues increased nearly \$155,000 in fiscal year 2017.

## **Governmental Funds Financial Analysis**

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 fiscal year.

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$12.3 million, which is an approximate \$0.6 million increase from the prior year. The Town reported a positive change in fund balance in its general and capital investment funds of approximately \$668,000 and \$156,000, respectively. These increases were offset by a fund balance decrease of approximately \$176,000 in the nonmajor governmental funds. Of the ending fund balance, approximately \$5.2 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the general fund was approximately \$5.6 million, while total fund balance was over \$7.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 30% of total general fund expenditures, while total fund balance represents approximately 40% of that same amount.

The Town's capital investment fund is restricted for debt service purposes. Its primary source of funding is the transfer of PILOT monies received from the Town's agreement with ANP Blackstone Energy Company LLC, a power generator. At June 30, 2017, the capital investment fund has a fund balance of nearly \$3.8 million. The release of funds from the capital investment fund requires the affirmative vote of two-thirds by the local legislative body at either the Annual Town Meeting or at a Special Town Meeting.

The Town reports approximately \$1.5 million as restricted in the nonmajor governmental funds due to constraints placed externally by third-parties. This amount is offset by deficit fund balances in the Town's capital project funds of approximately \$0.5 million, which is reported as a deficit in the unassigned fund balance of the nonmajor governmental funds. This deficit was principally due to capital repairs made to the Town Hall roof, which the Town expects to fund through available revenues, grant funds or bond proceeds in future fiscal years.

**Proprietary Funds.** The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, the net position of the sewer and water enterprise funds were approximately \$10.8 million in the aggregate.

## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were not significant. A budget to actual schedule for the general fund has been provided as required supplementary information.

## **Capital Asset and Debt Administration**

**Capital Assets.** As of June 30, 2017, the Town's investment in capital assets for its governmental and business-type activities approximated \$18.4 million and \$17.0 million, respectively. Governmental and business-type net fixed assets decreased by approximately \$0.3 million and \$0.5 million, respectively, as depreciation expense exceeded capital additions in 2017.

Additional information on the Town capital assets can be found in the notes to the financial statements.

**Long-term Debt.** At the end of the current fiscal year, the Town had total long-term bonded debt outstanding of approximately \$8.7 million. The Town's total long-term bonded debt decreased by approximately \$1.1 million during the current fiscal year due to scheduled debt payments.

The Town's bond rating of "AA+" was set by Standard and Poor's Financial Services LLC in July 2015 and the Town continues to maintain this rating.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the Town is approximately \$44.4 million, which significantly exceeds the Town's outstanding general obligation debt.

Additional information on the Town's debt can be found in the notes to the financial statements.

## **Economic Factors and Next Year's Budgets and Rates**

- The Town's real estate tax base is made up predominantly of residential taxes, which in 2017 are approximately 80% of the entire levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than 2 ½% of the previous year's tax levy. The Town typically taxes at or near its levy limit annually.
- The Town is experiencing an uptick in new home building and expects several additional residential housing projects to commence in the near future.
- The U.S. Bureau of Labor Statistics reported a 4.5% unemployment rate for the Town for June 2017, which is slightly behind the 4.3% statewide unemployment rate. Additionally, median household incomes for the Town are approximately 7% higher than the statewide average.
- Property values within the Town have recouped the losses experienced during the recent nationwide housing crisis. However, the Town's median house price lags the statewide average by over 20%. The disparity between household income (see above) and housing prices presents opportunities to attract potential residents from other suburban Massachusetts areas.

Each of these factors were considered in preparing the Town's budget for the 2018 fiscal year, which was adopted at Town Meeting in May 2017.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Administrator, 15 Saint Paul Street, Blackstone, MA 01504.

**TOWN OF BLACKSTONE, MASSACHUSETTS**

**STATEMENT OF NET POSITION  
JUNE 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,774,066	\$ 2,027,547	\$ 9,801,613
Investments	5,461,931	-	5,461,931
Receivables, net of allowance for uncollectible accounts:			
Property taxes	301,717	-	301,717
User fees	-	619,613	619,613
Departmental and other	1,319,756	-	1,319,756
Intergovernmental	30,773	-	30,773
Capital assets not being depreciated	4,031,792	152,506	4,184,298
Capital assets, net of depreciation	14,406,977	16,833,662	31,240,639
<b>Total Assets</b>	<b>33,327,012</b>	<b>19,633,328</b>	<b>52,960,340</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	1,511,089	131,398	1,642,487
<b>LIABILITIES</b>			
Current liabilities:			
Warrants and accounts payable	558,511	94,544	653,055
Accrued payroll and related expenses	4,156	-	4,156
Accrued interest expense	11,022	124,608	135,630
Other liabilities	704	-	704
Short-term notes payable	500,000	-	500,000
Noncurrent liabilities:			
Due in one year or less	533,431	844,352	1,377,783
Due in more than one year	12,413,538	7,773,689	20,187,227
<b>Total Liabilities</b>	<b>14,021,362</b>	<b>8,837,193</b>	<b>22,858,555</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	1,662,298	144,547	1,806,845
<b>NET POSITION</b>			
Net investment in capital assets	17,401,306	9,358,094	26,759,400
Restricted for:			
State and federal grants	170,132	-	170,132
Gift and donation funds	575,014	-	575,014
Revolving funds	691,099	-	691,099
Other purposes	210,324	-	210,324
Unrestricted	106,566	1,424,892	1,531,458
<b>Total Net Position</b>	<b>\$ 19,154,441</b>	<b>\$ 10,782,986</b>	<b>\$ 29,937,427</b>

See accompanying notes to basic financial statements.

**TOWN OF BLACKSTONE, MASSACHUSETTS**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 2,301,572	\$ 427,841	\$ 106,185	\$ -	\$ (1,767,546)		\$ (1,767,546)
Public safety	4,171,352	329,716	50,180	-	(3,791,456)		(3,791,456)
Education	9,799,217	31,802	126,674	-	(9,640,741)		(9,640,741)
Public works	2,439,839	220,724	-	235,498	(1,983,617)		(1,983,617)
Health and human services	555,271	41,382	130,910	-	(382,979)		(382,979)
Culture and recreation	877,495	2,212	45,341	-	(829,942)		(829,942)
Interest expense	61,183	-	-	-	(61,183)		(61,183)
Total Governmental Activities	20,205,929	1,053,677	459,290	235,498	(18,457,464)		(18,457,464)
<b>Business-Type Activities</b>							
Sewer	1,174,911	773,334	-	-	-	(401,577)	(401,577)
Water	1,177,343	1,000,602	-	-	-	(176,741)	(176,741)
Total Primary Government	\$ 22,558,183	\$ 2,827,613	\$ 459,290	\$ 235,498	(18,457,464)	(578,318)	(19,035,782)
<b>General Revenues</b>							
					16,995,974	-	16,995,974
					1,331,613	-	1,331,613
					1,247,175	-	1,247,175
					118,738	-	118,738
					49,935	-	49,935
					(1,500)	-	(1,500)
					(1,006,122)	1,006,122	-
					18,735,813	1,006,122	19,741,935
					278,349	427,804	706,153
					18,876,092	10,355,182	29,231,274
					\$ 19,154,441	\$ 10,782,986	\$ 29,937,427

See accompanying notes to basic financial statements.

**TOWN OF BLACKSTONE, MASSACHUSETTS**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2017**

	General	Capital Investment Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 5,304,530	\$ 951,595	\$ 1,517,940	\$ 7,774,065
Investments	2,650,788	2,811,144	-	5,461,932
Receivables, net of allowance				
Real and personal property	1,239,914	-	-	1,239,914
Excise taxes and other	176,684	-	204,875	381,559
Due from other governments	21,755	-	9,018	30,773
Total Assets	<u>9,393,671</u>	<u>3,762,739</u>	<u>1,731,833</u>	<u>14,888,243</u>
<b>Deferred Outflows of Resources</b>	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 9,393,671</u>	<u>\$ 3,762,739</u>	<u>\$ 1,731,833</u>	<u>\$ 14,888,243</u>
<b>Liabilities</b>				
Warrants and accounts payable	\$ 537,737	\$ -	\$ 20,774	\$ 558,511
Accrued payroll and related expenses	4,156	-	-	4,156
Other liabilities	704	-	-	704
Short-term notes payable	-	-	500,000	500,000
Total Liabilities	<u>542,597</u>	<u>-</u>	<u>520,774</u>	<u>1,063,371</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues - property taxes	1,158,878	-	-	1,158,878
Unavailable revenues - excise taxes and other	176,684	-	201,285	377,969
Total deferred inflows of resources	<u>1,335,562</u>	<u>-</u>	<u>201,285</u>	<u>1,536,847</u>
<b>Fund Balances</b>				
Restricted	-	-	1,459,891	1,459,891
Committed	969,056	3,762,739	-	4,731,795
Assigned	927,543	-	-	927,543
Unassigned	5,618,913	-	(450,117)	5,168,796
Total Fund Balances	<u>7,515,512</u>	<u>3,762,739</u>	<u>1,009,774</u>	<u>12,288,025</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 9,393,671</u>	<u>\$ 3,762,739</u>	<u>\$ 1,731,833</u>	<u>\$ 14,888,243</u>

See accompanying notes to basic financial statements.

**TOWN OF BLACKSTONE, MASSACHUSETTS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

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<b>Total Governmental Fund Balances</b>	\$ 12,288,025
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	18,438,769
Other long-term assets are not available to pay for current-period expenditures and are therefore unavailable within the funds.	1,536,847
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(11,022)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:	
Bonds and notes payable	(1,026,441)
Capital lease obligations	(246,015)
Compensated absences	(482,004)
Other postemployment benefits	(1,916,189)
Net pension liability	<u>(9,427,529)</u>
<b>Fund Balances of Governmental Activities</b>	<u>\$ 19,154,441</u>

See accompanying notes to basic financial statements.

**TOWN OF BLACKSTONE, MASSACHUSETTS**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2017**

	General	Capital Investment Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Real estate and personal property taxes	\$ 16,936,909	\$ -	\$ -	\$ 16,936,909
Intergovernmental	1,597,888	-	402,695	2,000,583
Motor vehicle and other excises	1,230,797	-	-	1,230,797
Departmental and other revenue	282,070	-	652,408	934,478
License and permits	225,428	-	-	225,428
Penalties and interest on taxes	118,738	-	-	118,738
Fines and forfeitures	51,593	-	-	51,593
Investment income	27,855	22,080	-	49,935
Contributions and donations	-	-	25,818	25,818
Total Revenues	<u>20,471,278</u>	<u>22,080</u>	<u>1,080,921</u>	<u>21,574,279</u>
<b>Expenditures</b>				
Current:				
General government	1,775,906	-	598,361	2,374,267
Public safety	2,879,452	-	32,756	2,912,208
Education	9,677,216	-	23,479	9,700,695
Public works	1,778,394	-	239,240	2,017,634
Health and human services	405,291	-	19,093	424,384
Culture and recreation	585,852	-	37,948	623,800
Pensions and other fringe benefits	1,467,192	-	-	1,467,192
State and county tax assessments	44,238	-	-	44,238
Debt service:				
Principal	308,947	-	-	308,947
Interest	47,050	-	-	47,050
Total Expenditures	<u>18,969,538</u>	<u>-</u>	<u>950,877</u>	<u>19,920,415</u>
<b>Excess of Revenues over Expenditures</b>	<u>1,501,740</u>	<u>22,080</u>	<u>130,044</u>	<u>1,653,864</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	2,119,883	1,947,893	-	4,067,776
Transfers out	<u>(2,954,015)</u>	<u>(1,814,327)</u>	<u>(305,556)</u>	<u>(5,073,898)</u>
Total Other Financing Sources (Uses)	<u>(834,132)</u>	<u>133,566</u>	<u>(305,556)</u>	<u>(1,006,122)</u>
<b>Net Change in Fund Balances</b>	667,608	155,646	(175,512)	647,742
<b>Fund Balances - Beginning of year</b>	<u>6,847,904</u>	<u>3,607,093</u>	<u>1,185,286</u>	<u>11,640,283</u>
<b>Fund Balances - End of year</b>	<u>\$ 7,515,512</u>	<u>\$ 3,762,739</u>	<u>\$ 1,009,774</u>	<u>\$ 12,288,025</u>

See accompanying notes to basic financial statements.

**TOWN OF BLACKSTONE, MASSACHUSETTS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

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**Net Change in Fund Balances - Total Governmental Fund Balances** \$ 647,742

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and depreciated over their estimated useful lives. This amount represents the net amount of depreciation expense in excess of capital outlay. The amounts are represented here as reconciling items:

Capital outlays	\$ 943,958	
Loss on disposal of capital assets	(1,500)	
Depreciation expense	(1,229,576)	
Net effect of reporting fixed assets	(287,118)	(287,118)

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 has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The amount presented here as a reconciling item represents repayments on long-term debt in fiscal year

Repayments on capital lease obligations	71,163	
Repayments on long-term debt	308,947	
Net effect of reporting long-term debt	380,110	380,110

In the Statement of Activities, interest is accrued on outstanding long-term debt; whereas in governmental funds interest is not reported until due. The net amount presented here as a reconciling item represents the difference in accruals between this year and the prior year. (1,179)

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the following differences derived from unavailable revenue. (82,378)

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:

Compensated absences, net	(65,921)	
Other postemployment benefits	(130,022)	
Net pension liability	(182,885)	
Net effect of reporting long-term liabilities	(378,828)	(378,828)

**Net Change in Fund Balances of Governmental Activities** \$ 278,349

See accompanying notes to basic financial statements.

**TOWN OF BLACKSTONE, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 764,884	\$ 1,262,663	\$ 2,027,547
User charges receivable	291,680	327,933	619,613
Total current assets	<u>1,056,564</u>	<u>1,590,596</u>	<u>2,647,160</u>
Noncurrent assets:			
Land	-	152,506	152,506
Capital assets, net of accumulated depreciation	7,805,168	9,028,494	16,833,662
Total noncurrent assets	<u>7,805,168</u>	<u>9,181,000</u>	<u>16,986,168</u>
<b>Total Assets</b>	<u>8,861,732</u>	<u>10,771,596</u>	<u>19,633,328</u>
<b>Deferred Outflows of Resources</b>			
Pensions	<u>49,274</u>	<u>82,124</u>	<u>131,398</u>
<b>Liabilities</b>			
Current liabilities:			
Warrants payable and other liabilities	59,713	34,829	94,542
Accrued interest expense	71,576	53,032	124,608
Bond and note indebtedness	521,113	314,888	836,001
Compensated absences	3,680	4,672	8,352
Total current liabilities	<u>656,082</u>	<u>407,421</u>	<u>1,063,503</u>
Noncurrent liabilities:			
Bond and note indebtedness	4,630,869	2,161,205	6,792,074
Compensated absences	3,680	4,672	8,352
Other postemployment benefits	62,485	104,142	166,627
Net pension liability	302,489	504,148	806,637
Total noncurrent liabilities	<u>4,999,523</u>	<u>2,774,167</u>	<u>7,773,690</u>
<b>Total Liabilities</b>	<u>5,655,605</u>	<u>3,181,588</u>	<u>8,837,193</u>
<b>Deferred Inflows of Resources</b>			
Pensions	<u>54,205</u>	<u>90,342</u>	<u>144,547</u>
<b>Net Position</b>			
Net Investment in capital assets	2,653,187	6,704,907	9,358,094
Unrestricted	<u>548,009</u>	<u>876,883</u>	<u>1,424,892</u>
<b>Total Net Position</b>	<u>\$ 3,201,196</u>	<u>\$ 7,581,790</u>	<u>\$ 10,782,986</u>

See accompanying notes to basic financial statements.

**TOWN OF BLACKSTONE, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2017**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
<b>Operating Revenues</b>			
User charges	\$ 773,334	\$ 1,000,602	\$ 1,773,936
<b>Total Operating Revenues</b>	<u>773,334</u>	<u>1,000,602</u>	<u>1,773,936</u>
<b>Operating Expenses</b>			
Operating costs	755,473	662,476	1,417,949
Depreciation	217,558	328,891	546,449
<b>Total Operating Expenses</b>	<u>973,031</u>	<u>991,367</u>	<u>1,964,398</u>
<b>Total Operating (Loss) Income</b>	<u>(199,697)</u>	<u>9,235</u>	<u>(190,462)</u>
<b>Nonoperating Income (Expenses)</b>			
Interest expense	(201,880)	(185,976)	(387,856)
Transfers in	746,053	260,069	1,006,122
<b>Total Nonoperating Revenues (Expenses), net</b>	<u>544,173</u>	<u>74,093</u>	<u>618,266</u>
<b>Change in Net Position</b>	344,476	83,328	427,804
<b>Net Position - Beginning of year</b>	<u>2,856,720</u>	<u>7,498,462</u>	<u>10,355,182</u>
<b>Net Position - End of year</b>	<u>\$ 3,201,196</u>	<u>\$ 7,581,790</u>	<u>\$ 10,782,986</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Totals
<b>Cash Flows from Operating Activities</b>			
Receipts from users	\$ 745,242	\$ 995,500	\$ 1,740,742
Payments to employees	(195,554)	(283,278)	(478,832)
Payments to vendors	(497,242)	(353,843)	(851,085)
Net Cash Provided by Operating Activities	52,446	358,379	410,825
<b>Cash Flows from Noncapital Related Financing Activities</b>			
Transfers, net	746,053	260,069	1,006,122
Net Cash Provided by Noncapital Related Financing Activities	746,053	260,069	1,006,122
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal payments on bonds	(521,113)	(316,888)	(838,001)
Interest paid	(207,398)	(190,838)	(398,236)
Net Cash Used in Capital and Related Financing Activities	(728,511)	(507,726)	(1,236,237)
<b>Net Change in Cash and Cash Equivalents</b>	69,988	110,722	180,710
<b>Cash and Cash Equivalents</b>			
Beginning of year	694,896	1,151,941	1,846,837
End of year	\$ 764,884	\$ 1,262,663	\$ 2,027,547
<b>Reconciliation of Operating Loss to Net Cash (Used in) Provided by Operating Activities:</b>			
Operating (loss) income	\$ (199,697)	\$ 9,235	\$ (190,462)
Depreciation	217,558	328,891	546,449
Changes in assets and liabilities:			
Receivables	(28,092)	(5,102)	(33,194)
Warrants payable and accrued expenses	62,677	25,355	88,032
Net Cash Provided by Operating Activities	\$ 52,446	\$ 358,379	\$ 410,825

See accompanying notes to basic financial statements.

**TOWN OF BLACKSTONE, MASSACHUSETTS**

**FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2017**

	Other Postemployment Benefits Trust Fund	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 814,062
Investments, at fair value	570,601	-
<b>Total Assets</b>	570,601	814,062
<b>Liabilities</b>		
Warrants and accounts payable	-	8,797
Performance bonds	-	790,800
Other	-	14,465
<b>Total Liabilities</b>	-	814,062
<b>Net Position Held in Trust for</b>		
Other postemployment benefits	570,601	-
<b>Total Net Position</b>	\$ 570,601	\$ -

See accompanying notes to basic financial statements.

**TOWN OF BLACKSTONE, MASSACHUSETTS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2017**

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	Other Postemployment Benefits Trust Fund
<b>Additions</b>	
Employer contributions	\$ 250,000
Investment income:	
Interest and dividends	15,110
Net realized and unrealized gains (losses)	48,963
Less: investment management fees	(3,035)
Net investment earnings	61,038
<b>Total Additions</b>	311,038
<b>Deductions</b>	
Other administrative expenses	3,035
<b>Total Deductions</b>	3,035
<b>Change in Net Position</b>	308,003
<b>Net Position - Beginning of year</b>	262,598
<b>Net Position - End of year</b>	\$ 570,601

The notes to the financial statements are an integral part of this statement.

# TOWN OF BLACKSTONE, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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### I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town of Blackstone (the “Town”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (“GASB”), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town.

#### A. Reporting Entity

The Town, which is located in Worcester County is approximately thirty-seven miles southwest of Boston and thirty miles southeast of Worcester. The Town was incorporated as a town in 1845. The governing structure utilizes an open town meeting format with an elected five-member Board of Selectmen and an appointed Town Administrator who performs and oversees the Town’s daily executive and administrative duties. Selectmen serve staggered three-year terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education from kindergarten to grade 12 through a regional school district, library, water and sewer services, street maintenance, parks and recreational facilities. The water and sewer services are self-funded and treated as business enterprises.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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 government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) 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 ten percent of the corresponding total for all funds of that category or type, and
- 2) 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 five percent of the corresponding element for all governmental and enterprise funds combined.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal 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 given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt, which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are both material and collected within sixty days after the end of the fiscal year. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The Town reports the following major governmental funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Capital Investment Fund – is used to pay debt service costs of the Town. The Town is required to contribute annually 90% of the payment in lieu of taxes, or PILOT, monies it receives under an agreement with ANP Blackstone Energy Company LLC, a power generator. The release of funds from the capital investment fund requires the affirmative vote of two-thirds by the local legislative body at either the Annual Town Meeting or at a Special Town Meeting. Furthermore, monies may be expended from the capital investment fund for emergency purposes by a vote of the Selectmen and approval by the Director of Accounts of the Department of Revenue of the Commonwealth of Massachusetts.

Nonmajor Governmental Funds – consist of special revenue, capital projects funds 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 Funds* are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The *Capital Projects Funds* are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports the following major proprietary funds:

Water Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the water activities are processed.

Sewer Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the sewer activities are processed.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and use the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity and cannot be used to support the governmental programs. The Town reports the following fiduciary funds:

*Other Postemployment Benefits Trust Fund* – is used to account for funds accumulated by the Town to assist it in its future payments of other postemployment benefits for retirees, such as health and life insurance.

*Agency Funds* – are used to account for funds received for and paid to other funds, individuals or organizations such as those held on deposit or escrow by the Town for various purposes including planning board deposits.

#### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Equity**

*Deposits and Investments* – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are recorded at fair value in accordance with GAAP.

*Receivables* – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes up to the statutory percentage rate per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy. The Town is permitted to take delinquent tax accounts into tax titles fourteen days subsequent to the mailing of demand of delinquent taxes.

User charges receivables represent amounts billed for water and sewer usage. Water and sewer charges are billed semi-annual and are subject to penalties and interest if not paid by the respective due date. The Town is authorized to take water and sewer fees into tax title fourteen days subsequent to the mailing of a demand for payment for the delinquent taxes.

Real estate taxes, water and user fees are secured through a lien process in the second quarter of the following fiscal year and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible accounts, which are comprised of those outstanding amounts greater than five years old, if material.

*Inventories and Prepaid Items* – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both government-wide and governmental fund financial statements.

*Capital Assets* – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g. roads, water and sewer mains and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Net interest incurred during the construction phase of capital assets of business-type activities, if material, is included as part of the capitalized value of the assets constructed.

Capital assets (excluding land and construction-in-process) are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	20 to 50 years
Infrastructure	20 to 50 years
Machinery and equipment	5 to 10 years
Vehicles	5 to 7 years

In the case of buildings, building improvements and infrastructure, all purchases and construction costs exceeding \$25,000 are capitalized at the date of acquisition or construction, if their expected lives are greater than two years. In the case of machinery, equipment and vehicles, all purchases exceeding \$5,000 are capitalized at the date of acquisition, if their expected lives are greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

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 in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as *transfers, net*.

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 state law. Investment income of the proprietary funds is retained by the respective funds.

Compensated Absences – The Town permits employees to accumulate earned but unused vacation and sick-pay benefits. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured.

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

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – 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 reports items related to its net pension liability as deferred outflows of resources in both its government-wide and business-type activities, which it expects to amortize into pension expense within the next five years.

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 reports items related to its net pension liability as deferred inflows of resources in both its government-wide and business-type activities, which it expects to amortize into pension expense within the next five years, which will result in reductions in reported pension expense. In its governmental fund financial statements, the Town reports *unavailable revenues* as deferred inflows of resources within the governmental funds balance sheet. Unavailable revenues are derived from three sources – property taxes, motor vehicle excise taxes and departmental revenues. The Town expects to recognize these items into revenue in the period(s) that these amounts become available.

Net Position – In the government-wide financial statements, 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 related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been restricted for (1) state and federal grants, (2) gift and donation funds, (3) revolving funds and (4) other purposes.

Fund Equity – The Town presents fund balances in its governmental funds using classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – non-spendable, restricted, committed, assigned, and unassigned as described below:

*Non-spendable* represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid expenses) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

*Restricted* represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision making authority, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

*Assigned* represents amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Town Meeting, Board of Selectmen or their designee.

*Unassigned* represents amounts that have not been restricted, committed or assigned to specific purposes within the Town’s governmental funds, primarily its general fund.

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use, it is the Town’s policy to use committed resources first, then assigned, and then unassigned as they are needed. The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

The following table reflects the Town’s fund equity categorizations:

	General	Capital Investment Fund	Nonmajor Governmental Funds	Total
<b>Restricted:</b>				
General government	\$ -	\$ -	\$ 692,053	\$ 692,053
Public safety	-	-	587,701	587,701
Education	-	-	8,323	8,323
Public works	-	-	7,889	7,889
Health and human services	-	-	74,991	74,991
Culture and recreation	-	-	88,934	88,934
<b>Committed:</b>				
Capital investments	-	3,762,739	-	3,762,739
Special articles	969,056	-	-	969,056
<b>Assigned:</b>				
General government	60,189	-	-	60,189
Public works	105,598	-	-	105,598
Continuing appropriations	728,257	-	-	728,257
Other purposes	33,499	-	-	33,499
<b>Unassigned:</b>				
Stabilization - general	3,556,716	-	-	3,556,716
Unrestricted	2,062,197	-	(450,117)	1,612,080
	<u>\$ 7,515,512</u>	<u>\$ 3,762,739</u>	<u>\$ 1,009,774</u>	<u>\$ 12,288,025</u>

Stabilization Funds – The Town maintains a general stabilization fund, which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$3,556,716 at June 30, 2017 and is reported as unassigned fund balance in the general fund. The Town also maintains a capital investment fund, which is used for debt service purposes upon a two-thirds vote of the Town Meeting. The balance of the capital investment fund totals \$3,762,739 at June 30, 2017 and is reported as a committed fund balance in its own fund.

Encumbrances – The Town’s encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal, approved purchasing activity as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately.

#### **E. Excess of Expenditures Over Appropriations and Deficits**

During the fiscal year ended June 30, 2017, there were no instances where expenditures exceeded appropriations.

The Town incurred deficits of \$450,117 for town hall roof construction, which is reported in the nonmajor governmental funds. This deficit will be funded through available revenues, grant funds or bond proceeds in future fiscal years.

#### **F. Use of Estimates**

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

## **II. Detailed Notes to All Funds**

### **A. Deposits 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 balance sheet as *cash and cash equivalents*. The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer’s investment pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

Fair Value of Investments – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.
- *Level 3* – Inputs reflect the Town’s best estimate of what market participants would use in pricing the investment at the measurement date.

The remaining investments not categorized under the fair value hierarchy as shown as being valued at either amortized cost or at net asset value (“NAV”). These are investments in non-governmental entities for which readily determinable fair value is not available, such as member units or an ownership interest in partners’ capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

The following table presents the Town’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2017:

Investments by Fair Value Level	June 30, 2017	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. Government obligations	\$ 3,104,555	\$ 3,104,555	\$ -	\$ -
Corporate fixed income	1,233,584	1,233,584	-	-
Total debt securities	4,338,139	4,338,139	-	-
Equity securities	756,428	756,428	-	-
Mutual funds	367,366	367,366	-	-
Total investments by fair value level	5,461,933	\$ 5,461,933	\$ -	\$ -
Investments measured at NAV				
SRBT	570,601			
Total investments at fair value	\$ 6,032,534			

All of the Town’s investments in debt and equity securities and mutual funds were classified in Level 1 as each investment is quoted in an active market.

The State Retirees Benefit Trust Fund (“SRBT”) investment is administered by the Commonwealth of Massachusetts’ Pension Reserve Investment Management Board, or PRIM. The determination of the fair value of these investments is very subjective and the period-end values are reported to the System as NAV. Investments in the SRBT funds are generally more liquid than investments in private equity and real estate holdings, but generally cannot be resold to third parties. The Town may liquidate its investments in the SRBT funds at any time with less than thirty days’ notice.

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 does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, \$153,829 in Town deposits were uninsured by the Federal Deposit Insurance Corporation, or FDIC, or other depository insurance, and was therefore exposed to custodial credit risk.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. According to the Town’s investment policy, the Town mitigates this risk through diversification, the prudent selection of investment instruments and choice of depository.

All of the Town’s investments, while held by a counterparty, are registered in the Town’s name and are therefore not exposed to custodial credit risk. Furthermore, the Town’s investments are held in accounts insured by the Securities Investor Protection Corporation, or SIPC, and excess SIPC.

Interest Rate Risk – In the case of investments, this is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the more sensitive it is to changes in market interest rates. According to the Town’s investment policy, the Town mitigates this risk through diversification, the prudent selection of investment instruments and choice of depository. The Town further mitigates this risk by keeping investment maturities within ten years.

Investment Maturities – The Town had the following investments at June 30, 2017:

Investments	Fair Value	Maturity in Years		
		Less than Year	1 to 5 Years	6 to 10 Years
<u>Debt securities:</u>				
U.S. Government obligations	\$ 3,104,555	\$ -	\$ 3,104,555	\$ -
Corporate fixed income	1,233,584	401,378	832,206	-
Total debt securities	4,338,139	\$ 401,378	\$ 3,936,761	\$ -
<u>Other investments:</u>				
SRBT	570,601			
Equities	756,428			
Mutual funds	367,366			
Total Investments	\$ 6,032,534			

Certificates of deposit and money market accounts have been classified as cash equivalents in these financial statements due to the liquid nature of these types of short-term investments.

Concentration of Credit Risk – The Town maintains ten individual investments whose individual balances exceed 5% of the Town’s reported investment value, as illustrated in the following table:

Security Name	Concentration	
	Amount	Percentage
PRIT - OPEB Master Trust	\$ 570,601	9.5%
Federated Govt Inc Trust is mutual fund	367,366	6.1%
Georgia PWR CO Note 2.00%, 03/30/2020 corporate bond	351,220	5.8%
U.S. Treasury Note, 0.75%, 2/15/19	347,609	5.8%
FHLM Note, 1.25%, 04/28/2021	337,881	5.6%
FHLM Note, 1.30%, 08/23/2021	334,649	5.5%
Bank of America, 2.25%, 4/21/2020 corporate bond	326,555	5.4%
FHLM Note, 1.50%, 11/18/2020	320,237	5.3%
U.S. Treasury Note, 1.375%, 9/30/2018	316,212	5.2%
U.S. Treasury Note, 1.25%, 11/30/18	304,278	5.0%
	<u>\$ 3,576,608</u>	59.3%

Credit Risk – Statutes require the Town Treasurer to invest Town funds in bonds or notes which are legal investments for savings banks, including U.S. obligations, certificates of deposit, money market accounts, bank deposits, repurchase agreements and the State Treasurer’s investment pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days and the underlying security must be a U.S. obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

The following table summarizes the credit ratings issued by Standard and Poor’s Financial Services LLC, or S&P, for the Town’s debt securities at June 30, 2017. Credit ratings are not available for the Town’s investments in the mutual funds and equity securities.

S&P Rating	U.S. Government	Corporate	Total
	Obligations	Fixed Income	
AA+	\$ 3,104,555	\$ -	\$ 3,104,555
A	-	201,311	201,311
A-	-	351,220	351,220
BBB+	-	681,053	681,053
	<u>\$ 3,104,555</u>	<u>\$ 1,233,584</u>	<u>\$ 4,338,139</u>

**B. Receivables**

Receivables as of year-end for the Town’s 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
Real estate and personal property taxes	\$ 301,717	\$ -	\$ 301,717
Tax liens and foreclosures	938,197	-	938,197
Excise	301,459	(124,775)	176,684
Ambulance	489,246	(287,962)	201,284
Title V	3,591	-	3,591
Intergovernmental	30,773	-	30,773
Total	<u>\$ 2,064,983</u>	<u>\$ (412,737)</u>	<u>\$ 1,652,246</u>

Receivables as of year-end of the Town’s Proprietary funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water user charges	\$ 327,933	\$ -	\$ 327,933
Sewer user charges	291,680	-	291,680
Total	<u>\$ 619,613</u>	<u>\$ -</u>	<u>\$ 619,613</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

	General Fund	Other Governmental Funds	Total
Receivable type:			
Real estate and personal property taxes	\$ 220,681	\$ -	\$ 220,681
Tax liens and foreclosures	938,197	-	938,197
Excise	176,684	-	176,684
Ambulance	-	201,285	201,285
Total	<u>\$ 1,335,562</u>	<u>\$ 201,285</u>	<u>\$ 1,536,847</u>

### C. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balance
<b><i>Governmental Activities:</i></b>				
Capital assets not being depreciated:				
Land	\$ 4,031,792	\$ -	\$ -	\$ 4,031,792
Capital assets being depreciated:				
Buildings and improvements	13,733,955	451,900	-	14,185,855
Infrastructure	17,905,413	432,297	(2,314,177)	16,023,533
Machinery and equipment	4,312,401	59,761	(984,499)	3,387,663
Vehicles	1,979,040	-	(255,835)	1,723,205
Total capital assets being depreciated	<u>37,930,809</u>	<u>943,958</u>	<u>(3,554,511)</u>	<u>35,320,256</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,180,172)	(311,397)	-	(6,491,569)
Infrastructure	(12,476,543)	(506,782)	2,314,177	(10,669,148)
Machinery and equipment	(3,121,092)	(231,693)	982,999	(2,369,786)
Vehicles	(1,458,907)	(179,704)	255,835	(1,382,776)
Total accumulated depreciation	<u>(23,236,714)</u>	<u>(1,229,576)</u>	<u>3,553,011</u>	<u>(20,913,279)</u>
Total capital assets being depreciated, net	<u>14,694,095</u>	<u>(285,618)</u>	<u>(1,500)</u>	<u>14,406,977</u>
Governmental activities capital assets, net	<u>\$ 18,725,887</u>	<u>\$ (285,618)</u>	<u>\$ (1,500)</u>	<u>\$ 18,438,769</u>

	Beginning Balances	Increases	Decreases	Ending Balance
<b><u>Business-type Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 152,506	\$ -	\$ -	\$ 152,506
Capital assets being depreciated:				
Buildings and improvements	2,344,780	-	-	2,344,780
Infrastructure	22,101,196	-	-	22,101,196
Machinery and equipment	962,718	-	(1,700)	961,018
Vehicles	136,941	-	(34,419)	102,522
Total capital assets being depreciated	<u>25,545,635</u>	<u>-</u>	<u>(36,119)</u>	<u>25,509,516</u>
Less accumulated depreciation for:				
Buildings and improvements	(784,260)	(48,744)	-	(833,004)
Infrastructure	(6,646,218)	(445,267)	-	(7,091,485)
Machinery and equipment	(598,104)	(52,439)	1,700	(648,843)
Vehicles	(136,941)	-	34,419	(102,522)
Total accumulated depreciation	<u>(8,165,523)</u>	<u>(546,450)</u>	<u>36,119</u>	<u>(8,675,854)</u>
Total capital assets being depreciated, net	<u>17,380,112</u>	<u>(546,450)</u>	<u>-</u>	<u>16,833,662</u>
Business-type activities capital assets, net	<u>\$ 17,532,618</u>	<u>\$ (546,450)</u>	<u>\$ -</u>	<u>\$ 16,986,168</u>
<b><u>Business-type Activities: Sewer</u></b>				
Capital assets being depreciated:				
Buildings and improvements	\$ 1,169,780	\$ -	\$ -	\$ 1,169,780
Infrastructure	9,442,236	-	-	9,442,236
Machinery and equipment	143,845	-	(1,700)	142,145
Vehicles	27,522	-	-	27,522
Total capital assets being depreciated	<u>10,783,383</u>	<u>-</u>	<u>(1,700)</u>	<u>10,781,683</u>
Less accumulated depreciation for:				
Buildings and improvements	(401,510)	(25,244)	-	(426,754)
Infrastructure	(2,207,355)	(188,845)	-	(2,396,200)
Machinery and equipment	(124,269)	(3,470)	1,700	(126,039)
Vehicles	(27,522)	-	-	(27,522)
Total accumulated depreciation	<u>(2,760,656)</u>	<u>(217,559)</u>	<u>1,700</u>	<u>(2,976,515)</u>
Total capital assets being depreciated, net	<u>8,022,727</u>	<u>(217,559)</u>	<u>-</u>	<u>7,805,168</u>
Total Net Business-type Activities: Sewer	<u>\$ 8,022,727</u>	<u>\$ (217,559)</u>	<u>\$ -</u>	<u>\$ 7,805,168</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>Business-type Activities: Water</u></b>				
Capital assets not being depreciated:				
Land	\$ 152,506	\$ -	\$ -	\$ 152,506
Capital assets being depreciated:				
Buildings and improvements	1,175,000	-	-	1,175,000
Infrastructure	12,658,960	-	-	12,658,960
Machinery and equipment	818,873	-	-	818,873
Vehicles	109,419	-	(34,419)	75,000
Total capital assets being depreciated	<u>14,762,252</u>	<u>-</u>	<u>(34,419)</u>	<u>14,727,833</u>
Less accumulated depreciation for:				
Buildings and improvements	(382,750)	(23,500)	-	(406,250)
Infrastructure	(4,438,863)	(256,422)	-	(4,695,285)
Machinery and equipment	(473,835)	(48,969)	-	(522,804)
Vehicles	(109,419)	-	34,419	(75,000)
Total accumulated depreciation	<u>(5,404,867)</u>	<u>(328,891)</u>	<u>34,419</u>	<u>(5,699,339)</u>
Total capital assets being depreciated, net	<u>9,357,385</u>	<u>(328,891)</u>	<u>-</u>	<u>9,028,494</u>
Total Net Business-type Activities: Water	<u>\$ 9,509,891</u>	<u>\$ (328,891)</u>	<u>\$ -</u>	<u>\$ 9,181,000</u>

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities:</u>		<u>Business-type Activities:</u>	
General government	\$ 117,639	Sewer	\$ 217,559
Public safety	240,536	Water	<u>328,891</u>
Education	98,522		
Public works	621,430		<u>\$ 546,450</u>
Health and human services	7,941		
Culture and recreation	<u>143,508</u>		
	<u>\$ 1,229,576</u>		

**D. Interfund Receivables, Payables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2017 are summarized as follows:

Transfers Out	Transfers In				Total	
	General Fund	Capital Investment Fund	Sewer Fund	Water Fund		
General Fund	\$ -	\$ 1,947,893	\$ 746,053	\$ 260,069	\$ 2,954,015	(1)
Capital Investment Fund	1,814,327	-	-	-	1,814,327	(2)
Nonmajor Governmental Funds	305,556	-	-	-	305,556	(3)
	<u>\$ 2,119,883</u>	<u>\$ 1,947,893</u>	<u>\$ 746,053</u>	<u>\$ 260,069</u>	<u>\$ 5,073,898</u>	

- (1) The Town's local legislative body approved the funding of \$1,947,893 to the capital investment fund.  
 The general fund paid debt service for the sewer and water funds of \$728,511 and \$230,832, respectively.  
 The general fund paid pension expense for the sewer and water funds of \$17,542 and \$29,237, respectively.
- (2) Transfers to general fund to fund capital articles.
- (3) Transfers of \$300,000 and \$5,556 from ambulance receipts reserved and other special revenue funds, respectively, to the general fund.

**E. Temporary Debt**

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes.

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANS”) or state aid anticipation notes. In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Temporary notes activity for fiscal year 2017 was as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
BAN	0.90%	09/15/17	\$ -	\$ 500,000	\$ -	\$ 500,000

The BAN was issued in fiscal year 2017 to finance municipal building complex repairs.

## F. Long-term Obligations

**Bond and Note Indebtedness** – The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. In addition, the Town incurs various other long-term obligations relative to post-retirement personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of five percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.”

**Legal Debt Margin** – State law permits a Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.” The Town’s legal debt margin as of June 30, 2017 was approximately \$44.4 million based on an equalized valuation of approximately \$887 million.

The following reflects the activity in the long-term liability accounts during the fiscal year ended June 30, 2017:

Description of Issue	Beginning Balances	Additions	Deletions	Ending Balances	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds and notes payable	\$ 1,335,388	\$ -	\$ (308,947)	\$ 1,026,441	\$ 218,147
Capital lease obligations (a)	416,083	65,920	-	482,003	241,002
Compensated absences	317,178	-	(71,163)	246,015	74,282
Other postemployment benefits	1,786,167	388,943	(258,921)	1,916,189	-
Net pension liability	7,839,543	1,436,777	-	9,276,320	-
Total Governmental Activities	<u>\$ 11,694,359</u>	<u>\$ 1,891,640</u>	<u>\$ (639,031)</u>	<u>\$ 12,946,968</u>	<u>\$ 533,431</u>
<i>Business-type Activities:</i>					
Sewer					
General obligation bonds and notes payable	5,673,095	-	(521,113)	5,151,982	521,113
Compensated absences	5,132	2,227	-	7,359	3,680
Other postemployment benefits	58,245	12,683	(8,443)	62,485	-
Net pension liability	255,637	46,852	-	302,489	-
Total Sewer	<u>5,992,109</u>	<u>61,762</u>	<u>(529,556)</u>	<u>5,524,315</u>	<u>524,793</u>
Water					
General obligation bonds and notes payable	2,792,981	-	(316,888)	2,476,093	314,888
Compensated absences	7,626	1,717	-	9,343	4,672
Other postemployment benefits	97,075	21,139	(14,072)	104,142	-
Net pension liability	426,062	78,086	-	504,148	-
Total Water	<u>3,323,744</u>	<u>100,942</u>	<u>(330,960)</u>	<u>3,093,726</u>	<u>319,560</u>
Total Business-type Activities	<u>\$ 9,315,853</u>	<u>\$ 162,704</u>	<u>\$ (860,516)</u>	<u>\$ 8,618,041</u>	<u>\$ 844,352</u>
Total Long-term Obligations	<u>\$ 21,010,212</u>	<u>\$ 2,054,344</u>	<u>\$ (1,499,547)</u>	<u>\$ 21,565,009</u>	<u>\$ 1,377,783</u>

(a) Beginning balance is a restatement of the prior year's capital lease obligation. Refer to Note V.

General obligation bonds outstanding at June 30, 2017 are as follows:

Description	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.00 - 5.00%	\$ 1,233,000	\$ -	\$ (219,000)	\$ 1,014,000
State House notes	2.70 - 2.75%	85,800	-	(85,800)	-
MCWT note	0.00%	16,588	-	(4,147)	12,441
Total Governmental Activities, net		<u>\$ 1,335,388</u>	<u>\$ -</u>	<u>\$ (308,947)</u>	<u>\$ 1,026,441</u>
<i>Business-type Activities - Sewer:</i>					
General obligation bonds	3.25 - 5.0%	\$ 3,160,000	\$ -	\$ (404,000)	\$ 2,756,000
USDA notes	4.15 - 4.25%	2,513,095	-	(117,113)	2,395,982
Total Sewer		<u>5,673,095</u>	<u>-</u>	<u>(521,113)</u>	<u>5,151,982</u>
<i>Business-type Activities - Water:</i>					
General obligation bonds	2.00 - 5.50	\$ 1,574,000	\$ -	\$ (244,000)	\$ 1,330,000
USDA notes	4.75 - 5.00%	1,218,981	-	(72,888)	1,146,093
Total Water		<u>2,792,981</u>	<u>-</u>	<u>(316,888)</u>	<u>2,476,093</u>
Total Business-type Activities, net		<u>\$ 8,466,076</u>	<u>\$ -</u>	<u>\$ (838,001)</u>	<u>\$ 7,628,075</u>
Total Bond and Note Debt		<u>\$ 9,801,464</u>			<u>\$ 8,654,516</u>

Future Debt Payoff – Payments on general long-term debt obligation bonds due in future years consists of the following:

Bonded Debt - Governmental Activities:

Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
<i>Governmental Activities</i>							
2018	\$ 218,147	\$ -	\$ 218,147	\$ 38,426	\$ (586)	\$ 37,840	\$ 255,987
2019	199,147	-	199,147	30,425	(347)	30,078	229,225
2020	159,147	-	159,147	23,159	(114)	23,045	182,192
2021	155,000	-	155,000	16,458	-	16,458	171,458
2022	150,000	-	150,000	9,825	-	9,825	159,825
2023 - 2027	145,000	-	145,000	3,262	-	3,262	148,262
Total	<u>\$ 1,026,441</u>	<u>\$ -</u>	<u>\$ 1,026,441</u>	<u>\$ 121,555</u>	<u>\$ (1,047)</u>	<u>\$ 120,508</u>	<u>\$ 1,146,949</u>

(continued)

Bonded Debt - Business-type Activities:

Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
<i>Business-type Activities: Total</i>							
2018	\$ 836,001	\$ -	\$ 836,001	\$ 282,413	\$ -	\$ 282,413	\$ 1,118,414
2019	830,001	-	830,001	253,984	-	253,984	1,083,985
2020	825,001	-	825,001	225,659	-	225,659	1,050,660
2021	815,001	-	815,001	197,493	-	197,493	1,012,494
2022	665,001	-	665,001	170,277	-	170,277	835,278
2023 - 2027	2,015,005	-	2,015,005	533,762	-	371,060	1,776,625
2028 - 2032	775,797	-	775,797	276,775	-	206,514	723,943
2033 - 2037	371,405	-	371,405	153,240	-	123,459	395,564
2038 - 2042	331,650	-	331,650	73,288	-	67,335	339,440
2043 - 2045	163,213	-	163,213	13,463	-	13,463	176,676
Total	<u>\$ 7,628,075</u>	<u>\$ -</u>	<u>\$ 7,628,075</u>	<u>\$ 2,180,354</u>	<u>\$ -</u>	<u>\$ 1,911,657</u>	<u>\$ 8,513,079</u>
<i>Business-type Activities: Sewer</i>							
2018	\$ 521,113	\$ -	\$ 521,113	\$ 189,033	\$ -	\$ 189,033	\$ 710,146
2019	518,113	-	518,113	171,788	-	171,788	689,901
2020	515,113	-	515,113	154,607	-	154,607	669,720
2021	515,113	-	515,113	137,444	-	137,444	652,557
2022	452,113	-	452,113	119,807	-	119,807	571,920
2023 - 2027	1,405,565	-	1,405,565	371,060	-	371,060	1,776,625
2028 - 2032	517,429	-	517,429	206,514	-	206,514	723,943
2033 - 2037	272,105	-	272,105	123,459	-	123,459	395,564
2038 - 2042	272,105	-	272,105	67,335	-	67,335	339,440
2043 - 2045	163,213	-	163,213	13,463	-	13,463	176,676
Total	<u>\$ 5,151,982</u>	<u>\$ -</u>	<u>\$ 5,151,982</u>	<u>\$ 1,554,510</u>	<u>\$ -</u>	<u>\$ 1,554,510</u>	<u>\$ 6,706,492</u>
<i>Business-type Activities: Water</i>							
2018	\$ 314,888	\$ -	\$ 314,888	\$ 93,380	\$ -	\$ 93,380	\$ 408,268
2019	311,888	-	311,888	82,196	-	82,196	394,084
2020	309,888	-	309,888	71,052	-	71,052	380,940
2021	299,888	-	299,888	60,049	-	60,049	359,937
2022	212,888	-	212,888	50,470	-	50,470	263,358
2023 - 2027	609,440	-	609,440	162,702	-	162,702	772,142
2028 - 2032	258,368	-	258,368	70,261	-	70,261	328,629
2033 - 2037	99,300	-	99,300	29,781	-	29,781	129,081
2038 - 2042	59,545	-	59,545	5,953	-	5,953	65,498
Total	<u>\$ 2,476,093</u>	<u>\$ -</u>	<u>\$ 2,476,093</u>	<u>\$ 625,844</u>	<u>\$ -</u>	<u>\$ 625,844</u>	<u>\$ 3,101,937</u>

(concluded)

*Authorized and Unissued Debt* – At June 30, 2017, the Town had \$1,516,852 as authorized and unissued debt for water and sewer projects.

The Town is party to non-cancellable leases for the purchase of three police cars and HVAC systems. For financial reporting purposes, these leases are accounted for as capital leases. The future minimum lease payments on these capital lease obligations and the net present value of these minimum lease payments as of June 30, 2017 are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2018	\$ 84,117
2019	38,241
2020	38,241
2021	38,241
2022	38,241
2023	<u>38,241</u>
Total minimum lease payments	275,322
Less amount representing interest	<u>(29,307)</u>
Present value of minimum lease payments	<u>\$ 246,015</u>

Assets acquired with capital leases were as follows at June 30, 2017:

<u>Asset Description</u>	<u>Amount</u>
Police cars	\$ 130,877
HVAC system	601,276
Less accumulated depreciation	<u>(84,359)</u>
Net carrying value	<u>\$ 647,794</u>

#### **G. PILOT Program**

ANP Blackstone Energy Company LLC (“ANP”) is a power generation company located in the Town. PILOT agreements between municipalities and power providers are permitted under the provisions of the electric deregulation legislation enacted by the Commonwealth of Massachusetts in 1997. ANP and the Town entered into a PILOT agreement effective July 1, 2006. Under the terms of the PILOT agreement, ANP is required to make quarterly payments to the Town in lieu of property taxes for a period of fourteen consecutive years. This PILOT agreement is set to expire on June 30, 2020.

The PILOT payments cannot be reduced on account of depreciation, however the PILOT payments are increased for inflation. Furthermore, the annual PILOT payment may be adjusted if ANP makes any capital improvements to its facilities or retires any property from its facilities subsequent to July 1, 2006. The adjustment to the PILOT will be determined in accordance with the provisions of the agreement at a rate of \$15.47 per \$1,000.

In fiscal year 2017, the Town received approximately \$2,164,000 from ANP in PILOT payments, which is reported as property taxes in these basic financial statements.

### **III. Other Information**

#### **A. Retirement System**

*Pension Plan Description* – The Town contributes to the Worcester Regional Retirement System (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of Massachusetts General Laws (“MGL”). The Retirement System is administered by the Worcester Regional Retirement Board (the “Retirement Board”). Stand-alone financial statements for the year ended December 31, 2016 were issued and are available by submitting a request to the Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Current membership in the Retirement System for all ninety-seven employers as of December 31, 2016 was as follows:

Active members	7,473
Inactive members entitled to, but not receiving benefits	1,674
Inactive members (or beneficiaries) currently receiving benefits	<u>3,618</u>
	<u>12,765</u>

*Benefit Terms* – Membership in the Retirement System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the Retirement System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to system. The Retirement System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the Retirement System include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years’ creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the Retirement System.

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in 2017.

Contributions Requirements – The Retirement Board has elected provisions of Chapter 32, Section 22D (as amended) of MGL, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$584,744 to the Retirement System in fiscal year 2017, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 16% in fiscal year 2017.

Net Pension Liability – At June 30, 2017, the Town reported a liability of \$10,082,957 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2016. There were no material changes to the Retirement System's benefit terms since the actuarial valuation. However, since the last actuarial valuation, the Retirement System decreased the discount rate used in the actuarial valuation decreased from 8.00% to 7.75%. There were no other material changes made in this update to the actuarial assumptions (see below).

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town's proportion was approximately 1.2% at December 31, 2016, which was consistent with the proportions measured at January 1, 2016.

Fiduciary Net Position – The elements of the Retirement System’s basic financial statements (that is, all information about the Retirement System’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System’s full financial statements as of and for the year ended December 31, 2016, which can be obtained by contacting the Retirement Board.

The Retirement System’s fiduciary net position was determined using the accrual basis of accounting. The Retirement System’s accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by the Massachusetts Public Employee Retirement Administration Commission, or PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized \$783,533 in pension expense in the statement of activities in fiscal year 2017.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 82,218	\$ -
Changes of assumptions	1,192,642	-
Net difference between projected and actual earnings on pension plan investments	349,883	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	17,744	1,806,845
	<u>\$ 1,642,487</u>	<u>\$ 1,806,845</u>

The net deferred outflows of resources and deferred inflows of resources are expected to be recognized as a benefit in the Town’s pension expense as follows:

<u>Year ended June 30,</u>	
2018	\$ 39,282
2019	39,282
2020	39,117
2021	28,270
2022	18,407
	<u>\$ 164,358</u>

*Actuarial Valuation* – The measurement of the Retirement System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2016. The significant actuarial assumptions used in the January 1, 2016 actuarial valuation included:

Inflation:	3.0% per year (3.5% per year for the actuarial valuation as of January 1, 2014)
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, except for ERI for 2002 and 2003 (12 years) and 2010 (6 years)
Asset valuation method:	5-year smoothing
Salary increases:	Group 1: 4.20-6.00%, based on service (3.00% for the actuarial valuation as of January 1, 2014) Group 4: 4.75-7.00%, based on service (3.00% for the actuarial valuation as of January 1, 2014)
Investment rate of return:	7.75%, net of pension plan investment expense, including inflation (8.00% for the actuarial valuation as of January 1, 2014)
Mortality rates:	Based on the RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB
Disabled life mortality:	For disabled lives, the mortality rates were based on the RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of returns (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 rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System’s target allocation as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global equity	40 %	4.97 %
Fixed income	22 %	2.29 %
Private equity	11 %	6.50 %
Real estate	10 %	3.50 %
Timber/natural resources	4 %	3.00 %
Hedge funds	13 %	3.48 %

Discount Rate – The discount rate used to measure the total pension liability was 7.75%, which is a reduction from the previous 8.0% discount rate. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made in accordance with Sections 22D and 22F of Chapter 32 of MGL. Based on those assumptions, the Retirement System’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 Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
Town’s proportionate share of the net pension liability	\$ 12,157,080	\$ 10,082,957	\$ 8,342,214

**B. Risk Financing**

The Town is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; natural disasters; and various employee benefits including health, worker’s compensation, and unemployment compensation. The Town essentially transfers its risk through payment of its annual assessment, which is adjusted according to the Town’s experience history. All insurance except is carried through conventional, commercial carriers.

**C. Other Postemployment Benefits – OPEB**

Plan Description – In addition to the pension benefits previously described, the Town provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the “Plan”) in accordance with MGL Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and Town ordinance. All benefits are provided through the Town’s insurance program. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Under Chapter 32B Section 20 the Town Treasurer is the custodian of the Plan and since the Town has not designated a Board of Trustees, the Town Treasurer under this general law is also the Trustee, and as such is responsible for the general supervision of the management, investment and reinvestment of the Plan assets. Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. Plan assets shall be segregated from other funds and shall not be subject to the claims of any general creditor of the Town.

For the year ended June 30, 2017 the Town records its net OPEB obligation under GASB Statement No. 45. However, note disclosures are also presented for the Town's OPEB Plan since those note disclosures are required under GASB Statement No. 74. All GASB 45 references will be removed in fiscal year 2018 as they will no longer be applicable upon the Town's adoption of GASB Statement No. 75 in fiscal year 2018.

Plan Membership – Current membership in the Plan as of June 30, 2017 was as follows:

Active members	69
Inactive employees or beneficiaries receiving benefits	5
	<u>74</u>

Contributions - The contribution requirements of Plan members and the Town are established and may be amended by the Town. Retirees contribute 50% of the cost of the calculated health insurance contributions and 100% of the cost of life insurance. The remainder of the health insurance premiums is funded by the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town's annual OPEB cost is calculated based on the annual required contribution ("ARC") of the employer, which is an actuarially determined amount. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty years.

The following table reflects the activity regarding the Town's OPEB obligation:

Annual required contributions ("ARC")	\$ 434,893
Interest on net OPEB obligation	67,659
Adjustment to ARC	<u>(79,787)</u>
Annual OPEB cost	422,765
Contributions made	<u>(281,436)</u>
Increase in net OPEB obligation	141,329
Net OPEB obligation - beginning of year	<u>1,941,487</u>
Net OPEB obligation - end of year	<u>\$ 2,082,816</u>

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOPEBC)*</u>	<u>Percentage of AOPEBC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 422,765	67%	\$ 2,082,816
June 30, 2016	738,985	38%	1,941,487
June 30, 2015	692,868	7%	1,268,170

\* Reflected in the statement of activities as follows:

The AOPEBC was charged to the following functional programs: General Government \$62,230; Public Safety \$229,477; Public Works \$50,563; Health and Human Services \$19,447; Culture and Recreation \$27,226; Sewer \$12,683; and Water \$21,139.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2017 for the most recent actuarial valuation performed as of July 1, 2016, was as follows:

Actuarial accrued liability (AAL)	\$ 3,974,884
Actuarial value of assets	<u>262,598</u>
Unfunded AAL (UAAL)	<u><u>\$ 3,712,286</u></u>
Funded ratio	6.6%
Covered payroll	<u><u>\$ 3,700,975</u></u>
UAAL as a percentage of covered payroll	100.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations.

Methods and Assumptions – 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 the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Investment Policy – The Plan does not have a formal investment policy at this time. The Plan invests its funds in permissible investments as stipulated by the Commonwealth.

Investment Rate of Return – For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was approximately 12.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability – The components of the net OPEB Liability of the Town at June 30, 2017 were as follows:

Total OPEB liability	\$ 3,739,185
Plan fiduciary net position	<u>(570,601)</u>
Net OPEB liability	<u>\$ 3,168,584</u>
Plan fiduciary net position as a percentage of the total OPEB liability	15.3%

The net OPEB liability is not reported in the accompanying financial statements. It is presented herein as prescribed under GASB Statement No. 74. The Town will report its net OPEB liability beginning in fiscal year 2018 upon adoption of GASB Statement No. 75. The Town presently reports its OPEB obligation in its government-wide and proprietary funds financial statements in accordance with GASB Statement No, 45.

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

The significant methods and assumptions as of the latest valuation are as follows:

Actuarial Cost Method	Individual entry age normal
Contributions	Annual Town contributions of \$250,000
Inflation	3.0% per annum
Investment rate of return	7.5%, net of investment expenses, including inflation
Healthcare cost trend rates	8.0% for 2016, decreasing 1% per year to an ultimate rate of 5.0% for 2019 and later years
Pre-Retirement Mortality	RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB.
Post-Retirement Mortality	RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using scale BB

Expected Investment Rate of Return – The long-term expected rate of return on OPEB plan investments was determined using the S&P Municipal Bond 20-Year High Grade Index as of July 1, 2016. The discount rate used in the June 30, 2017 valuation report was 7.5%.

Sensitivity Analysis – The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage-point higher (8.5%) than the current discount rate (dollar amounts are in thousands):

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Net OPEB liability	\$ 3,882,978	\$ 3,168,581	\$ 2,606,873

The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage-point higher than the current healthcare cost trend rates (dollar amounts are in thousands):

	Healthcare Cost		
	1% Decrease (7.0% decreasing to 4.0%)	Trend Rates (8.0% decreasing to 5.0%)	1% Increase (9% decreasing to 6.0%)
Net OPEB liability	\$ 2,498,514	\$ 3,168,581	\$ 4,055,111

**D. Commitments and Contingencies**

General – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2017, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2017.

Appellate Tax Board – The Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). In total, property values of approximately \$3.6 million are in dispute with the ATB, all of which pertained to commercial real estate. The Town cannot estimate at this time the amount of previously assessed property taxes (and interest) that may be refunded to these tax payers, if any. Furthermore, the Town cannot determine the likelihood of the taxpayers’ success at the ATB. Therefore, no such loss provision has been made in the Town’s basic financial statements.

Grant Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, would not have a material effect on its financial condition.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town expects the amount if any, in these situations, to be immaterial.

#### **IV. Implementation of New GASB Pronouncements**

##### **A. Current Year Implementations**

In June 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. GASB 74's objective was to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement became effective for the Town in fiscal year 2017. The adoption of this Statement increased disclosures surrounding the Town's OPEB plan and the means by which it reports its OPEB activities in its fiduciary funds.

In August 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. GASB 77 required the disclosure of the terms of certain tax abatement agreements entered into by a government with individuals or entities. The provisions of this Statement became effective for the Town in fiscal year 2017. The adoption of this Statement did not have a material impact on the financial statements.

In December 2015, the GASB issued GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The provisions of GASB 78 were applicable to certain government pension plans that (i) are not administered as a trust by a state or local governmental pension plan, (ii) are shared between governmental and nongovernmental employees, and (iii) have not predominant state of local governmental employer. The provisions of this Statement became effective for the Town in fiscal year 2017. The adoption of this Statement did not have a material impact on the financial statements.

In January 2016, the GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The provisions of GASB 80 applied to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The provisions of this Statement became effective for the Town in fiscal year 2017. The adoption of this Statement did not have a material impact on the financial statements.

In March 2016, the GASB issued GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of GASB 73 was to address issues raised with respect to previously issued statements related to pensions. The provisions of this Statement became effective for the Town in fiscal year 2017. The adoption of this Statement did not have a material impact on the financial statements.

##### **B. Future Year Implementations**

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. GASB 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017 (fiscal year 2018). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2016 (fiscal year 2018) and should be applied retroactively. The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement is to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2017, the GASB issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of the Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017 (fiscal year 2018). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

V. **Restatement**

The Town restated its net position in its governmental activities at June 30, 2016 to include capital lease obligations. The result of this restatement was a decrease in net position of \$317,178 at June 30, 2016. The previously reported net position in the Town's governmental activities was \$19,193,270 at June 30, 2016. As restated, the June 30, 2016 net position in the Town's governmental activities was \$18,876,092.

\* \* \* \* \*

**TOWN OF BLACKSTONE, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**  
**YEARS ENDED JUNE 30, 2017**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
*(dollar amounts are in thousands)*

	Years Ended December 31,		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset)	1.20%	1.20%	1.66%
Town's proportionate share of the net pension liability (asset)	\$ 10,083	\$ 8,521	\$ 9,865
Town's covered-employee payroll	\$ 3,730	\$ 3,312	\$ 3,185
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	270.3%	257.3%	309.7%
Plan fiduciary net position as a percentage of the total pension liability	42.00%	44.52%	48.00%

**SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN**  
*(dollar amounts are in thousands)*

	Years Ended June 30,		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 584	\$ 540	\$ 655
Contributions in relation to the actuarially determined contribution	<u>584</u>	<u>540</u>	<u>655</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 3,730	\$ 3,312	\$ 3,185
Contributions as a percentage of covered-employee payroll	15.7%	16.3%	20.6%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

TOWN OF BLACKSTONE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB  
YEARS ENDED JUNE 30, 2017

SCHEDULES OF FUNDING PROGRESS

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets <i>(a)</i>	Actuarial Accrued Liability (AAL) <i>(b)</i>	Unfunded AAL (UAAL) <i>(b-a)</i>	Funded Ratio <i>(a/b)</i>	Covered Payroll <i>(c)</i>	UAAL as a Percentage of Covered Payroll <i>(b-a/c)</i>
7/1/2016	\$ 262,598	\$ 3,974,884	\$ 3,712,286	6.6%	\$ 3,700,975	100%
7/1/2013	-	5,984,408	5,984,408	0.0%	3,763,098	159%

SCHEDULES OF CONTRIBUTION FUNDING

Other Postemployment Benefits

Year Ended June 30,	Annual OPEB Cost	Actual Contributions	Percentage Contributed
2017	\$ 422,765	\$ 281,436	66.6%
2016	738,985	65,668	8.9%
2015	692,868	46,434	6.7%

See accompanying independent auditors' report.

**TOWN OF BLACKSTONE, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB  
YEAR ENDED JUNE 30, 2017**

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**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**

	<u>2017</u>
Total OPEB liability:	
Service cost	\$ 180,704
Interest	261,970
Benefit payments	<u>(31,436)</u>
Net change in total OPEB liability	411,238
Total OPEB liability - beginning of year	<u>3,327,944</u>
Total OPEB liability - end of year (a)	<u><u>\$ 3,739,182</u></u>
Plan fiduciary net position:	
Contributions - employer	\$ 281,436
Net investment income	58,003
Benefit payments	<u>(31,436)</u>
Net change in Plan fiduciary net position	308,003
Plan fiduciary net position - beginning of year	<u>262,598</u>
Plan fiduciary net position - end of year (b)	<u><u>\$ 570,601</u></u>
Net OPEB liability - end of year (a) - (b)	<u><u>\$ 3,168,581</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	15.26%
Covered-employee payroll	\$ 3,700,975
Net OPEB liability as a percentage of covered- employee payroll	85.61%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

Note: This schedule is presented using the optional format of combining the required schedules in paragraph 36a and 36b of GASB Statement No. 74.

See accompanying independent auditor's report.

**TOWN OF BLACKSTONE, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB  
YEAR ENDED JUNE 30, 2017**

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**SCHEDULE OF CONTRIBUTIONS**

	<u>2017</u>
Actuarially-determined contribution	\$ 434,893
Contributions in relation to the actuarially-determined contribution	<u>(281,436)</u>
Contribution deficiency (excess)	<u>\$ 153,457</u>
Covered-employee payroll	\$ 3,700,975
Contribution as a percentage of covered-employee payroll	7.6%

**Notes to Schedule**

Valuation Date	July 1, 2016
Actuarial Cost Method	Individual entry age normal
Amortization Period	30 years
Asset Valuation Method	Market value
Inflation	3% per annum
Healthcare cost trend rates	8% initial decreasing 1% per year to an ultimate rate of 5% per annum
Investment rate of return	7.5%, net of OPEB plan investment expense, including inflation

**SCHEDULE OF INVESTMENT RETURNS**

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	12.37%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

TOWN OF BLACKSTONE, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – GENERAL FUND  
 YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<b>Revenues:</b>						
Real estate and personal property	\$ 16,893,679	\$ 16,893,679	\$ 16,954,790		\$ 16,954,790	\$ 61,111
Intergovernmental	1,602,347	1,602,347	1,597,888		1,597,888	(4,459)
Motor vehicle and other excises	950,000	950,000	1,230,797		1,230,797	280,797
Licenses and permits	125,000	125,000	225,428		225,428	100,428
Departmental and other revenue	212,000	212,000	282,035		282,035	70,035
Penalties and interest	100,000	100,000	118,738		118,738	18,738
Fines and forfeitures	35,000	35,000	51,593		51,593	16,593
Investment income	8,000	8,000	6,711		6,711	(1,289)
Total Revenues	<u>19,926,026</u>	<u>19,926,026</u>	<u>20,467,980</u>		<u>20,467,980</u>	<u>541,954</u>
<b>Expenditures:</b>						
General government	2,332,281	2,383,328	1,775,906	\$ 60,189	1,836,095	547,233
Public safety	3,014,319	3,108,524	2,879,452	8,729	2,888,181	220,343
Education	9,798,352	9,798,352	9,677,216	-	9,677,216	121,136
Public works	2,060,442	2,124,984	1,778,018	105,598	1,883,616	241,368
Health and human services	422,999	411,629	405,291	7,626	412,917	(1,288)
Culture and recreation	664,147	664,147	585,852	17,144	602,996	61,151
Fringe and pension benefits	1,292,480	1,287,480	1,263,971	-	1,263,971	23,509
State and county tax assessments	44,238	44,238	44,238	-	44,238	-
Debt service	1,320,346	1,320,346	1,315,340	-	1,315,340	5,006
Total Expenditures	<u>20,949,604</u>	<u>21,143,028</u>	<u>19,725,284</u>	<u>\$ 199,286</u>	<u>19,924,570</u>	<u>1,218,458</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in	2,117,103	2,117,103	2,150,093		2,150,093	(32,990)
Transfers out	<u>(2,282,561)</u>	<u>(2,282,561)</u>	<u>(2,300,512)</u>		<u>(2,300,512)</u>	<u>(17,951)</u>
Total Other Financing Sources (Uses)	<u>(165,458)</u>	<u>(165,458)</u>	<u>(150,419)</u>		<u>(150,419)</u>	<u>(50,941)</u>
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	<u>(1,189,036)</u>	<u>(1,382,460)</u>	<u>\$ 592,277</u>		<u>\$ 392,991</u>	<u>\$ 1,709,471</u>
<b>Other Budgetary Items:</b>						
Prior year encumbrances	505,175	505,175				
Free cash transfers	728,257	921,681				
Other	<u>(44,396)</u>	<u>(44,396)</u>				
Total Other Budgetary Items	<u>1,189,036</u>	<u>1,382,460</u>				
<b>Net Budget</b>	<u>\$ -</u>	<u>\$ -</u>				

See accompanying independent auditors' report.  
 See notes to the required supplementary information of this schedule.

**TOWN OF BLACKSTONE, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2017**

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**I. Budgetary Basis of Accounting**

*Budgetary Information* – An annual budget is legally adopted for the general fund and enterprise funds. Financial orders are initiated by the Town Administrator, recommended by the Town Finance Committee and approved by the Town Meeting at the Town’s annual meeting in each spring. Expenditures may not legally exceed appropriations at the department level or in the categories of personnel and non-personnel expenses. Department heads may transfer, without Town Meeting approval, appropriation balances from one account to another within their department or budget, and within the categories of personnel and non-personnel. The Town Meeting must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance. The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2017, supplemental budgetary appropriations, were not significant. The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted by Town Meeting. Budgetary control is exercised through the Town’s accounting system.

*Budgetary-to-GAAP Reconciliation* – The Town’s general fund is prepared on a basis of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue. A reconciliation of the budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2017, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 20,467,980
Stabilization revenue	\$ -	\$ 21,144	21,144
Revenue recognition	(17,846)	-	(17,846)
Revenues on a GAAP basis	<u>\$ (17,846)</u>	<u>\$ 21,144</u>	<u>\$ 20,471,278</u>
Expenditures on a budgetary basis			\$ 19,725,284
Debt service transfers	\$ -	\$ (959,343)	(959,343)
OPEB transfer recognition	-	250,000	250,000
Expense recognition	(46,403)	-	(46,403)
Expenditures on a GAAP basis	<u>\$ (46,403)</u>	<u>\$ (709,343)</u>	<u>\$ 18,969,538</u>
Other financing sources (uses) on a budgetary basis			\$ (150,419)
Stabilization transfers	\$ -	\$ 102,619	102,619
Close and transfer recycling enterprise	-	(30,175)	(30,175)
OPEB transfer recognition	-	250,000	250,000
Debt service transfers	-	(959,343)	(959,343)
Expense recognition	(46,814)	-	(46,814)
Other financing sources (uses) on a GAAP basis	<u>\$ (46,814)</u>	<u>\$ (636,899)</u>	<u>\$ (834,132)</u>

*Appropriation Deficits* – During the fiscal year ended, there were no instances where expenditures exceeded appropriations in the general fund.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Honorable Members of the Board of Selectmen  
Town of Blackstone, Massachusetts

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blackstone, Massachusetts (the "Town"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 28, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Town in a separate letter dated November 28, 2017.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Roselli, Clark & Associates*

Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
November 28, 2017