

TOWN OF LITTLETON, MASSACHUSETTS

Financial Statements

June 30, 2018

and Electric Light Enterprise Fund as of December 31, 2017

(With Accountants' Report Thereon)

*Giusti, Hingston and Company
Certified Public Accountants*
36 Jackman St., Unit 1 * Georgetown, MA 01833 * (Tel) 978-352-7470

Town of Littleton, Massachusetts
 FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018
 and Electric Light Enterprise Fund as of December 31, 2017

Table of Contents

	Page
Independent Auditors' Report	1,2
Management's Discussion and Analysis (Required Supplementary Information)	3-10
 Basic Financial Statements	
 Government-wide Financial Statements	
• Statement of Net Position	11
• Statement of Activities	12
 Fund Financial Statements	
• Balance Sheet - Governmental Funds	13
• Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	14
• Reconciliation of the Governmental Funds Balance Sheet - Total Fund Balances to the Statement of Net Position	15
• Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
• Statement of Net Position - Proprietary Funds	17
• Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	18
• Statement of Cash Flows - Proprietary Fund	19
• Statement of Net Position – Fiduciary Funds	20
• Statement of Changes in Net Position – Fiduciary Funds	21
 Notes to the Financial Statements	22-69
 Required Supplementary Information	
• Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Basis) - General Fund	71
• Schedule of the Town of Littleton, Massachusetts Proportionate Share of the Net Pension Liability – Middlesex County Retirement System	72
• Schedule of the Town of Littleton, Massachusetts Contributions - Middlesex County Retirement System	73

Town of Littleton, Massachusetts
 FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018
 and Electric Light Enterprise Fund as of December 31, 2017

Table of Contents

	<u>Page</u>
• Schedule of the Littleton Massachusetts' Proportionate Share of the Collective Net Pension Liability - Massachusetts Teachers' Retirement System	74
• Schedule of Funding Progress and Employer's Contributions – Other Post Employment Benefits	75
• Valuation Details – Other Post Employment Benefits - GASB #45	76
 <u>Town - Not Including Electric Light Department</u>	
• Schedule of Changes in the Net OPEB Liability and Related Ratios - (GASB 74 & GASB 75)	77
• Schedule of Contributions – Other Post Employment Benefits - (GASB 74 & GASB 75)	78
• Schedule of Investment Returns (GASB 74)	79
 <u>Electric Light</u>	
• Schedule of Changes in the Net OPEB Liability and Related Ratios - (GASB 74)	80
• Schedule of Contributions – Other Post Employment Benefits - (GASB 74)	81
• Schedule of Investment Returns (GASB 74)	82
• Notes to the Required Supplementary Information	83-87
 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 <i>Government Auditing Standards</i>	
	88,89

INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS - TOWN OF
LITTLETON, MASSACHUSETTS

Board of Selectmen
Town of Littleton
37 Shattuck Street
P.O. Box 1305
Littleton, MA 01460

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Littleton, Massachusetts as of and for the year ended June 30, 2018 (the Electric Light Enterprise as of December 31, 2017 and for the year then ended), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Littleton, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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. The financial statements of the Electric Light Department and Water Fund were audited in accordance with auditing standards generally accepted in the United States of America (not with *Government Auditing Standards*).

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Littleton, Massachusetts as of June 30, 2018 (the Electric Light Enterprise Fund as of December 31, 2017) and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary statement, the retirement system schedules and the other post employment benefit schedules listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019, on our consideration of the Town of Littleton, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Town of Littleton, Massachusetts' internal control over financial reporting and compliance.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
March 25, 2019

Town of Littleton, Massachusetts
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2018

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

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 \$108,745,967 (*net position*). Of this amount, \$1,057,854 is considered unrestricted (unrestricted net position). The unrestricted net position of the Town's governmental activities is a negative \$10,746,991. The negative unrestricted net position is primarily due to reporting the Town's net pension liability and its other post employment benefits liability. A *positive* amount in the unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position of the Town's business-type activities is \$11,804,845 and may be used to meet the ongoing obligations of the Town's Water and Light business-type activities.
- The government's total net position increased by \$6,988,156 (not including prior period adjustments) or 6.82% in fiscal year 2018. The Governmental Activities increased by \$5,159,598 or 8.65% and the Business Type Activities increased by \$1,828,558 or 4.26%.
- The total cost of all Town services for fiscal year 2018 was \$87,268,473, of which \$51,731,089 was for governmental services, and \$35,537,384 of which was for business-type activities.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,857,244, or 18.15% of total general fund expenditures.
- The Town issued \$13,286,000 in long term debt (including a debt refunding) during fiscal year 2018. Principal payments were made on previously issued enterprise and general long term debt in accordance with the debt amortization schedules during the year. At June 30, 2018, the Town of Littleton, Massachusetts' total long-term debt increased by \$6,651,542 or 28.38%.
- In fiscal year 2018, the Town implemented Governmental Accounting Standards Board Statement # 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The new standard requires reporting the entire Total OPEB Liability. Previous standards required reporting the liability over a thirty year "phase in" period. The resulting calculation was reported as the **Net OPEB Obligation**. Implementing the new standard required a prior period adjustment that reduced the Town's net position by \$760,349.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction of the Town of Littleton, Massachusetts' basic financial statements. The Town of Littleton, Massachusetts' basic financial statements consist of the following: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Littleton, Massachusetts' finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the Town of Littleton, Massachusetts' assets and liabilities, with the differences 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 of Littleton, Massachusetts is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 of 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).

The government-wide financial statements have separate columns for governmental activities and business-type activities. The Town's activities are classified as follows:

- **Governmental Activities** – Activities reported here include education, public safety, public works, library and general administration. Property taxes, motor vehicle excise taxes, state and other local revenues finance these activities.
- **Business-type Activities** - Activities reported here are for water supply distribution, electric light operations and parks and recreation activities. User fees charged to the customers receiving services finance these activities.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Littleton, Massachusetts, 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 of Littleton, Massachusetts can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

Proprietary funds. The Town of Littleton, Massachusetts maintains three proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Littleton, Massachusetts uses enterprise funds to account for its water operations, park and recreation activities and electric light distribution.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the enterprise funds. The water and light operations are considered major funds of the Town of Littleton, Massachusetts.

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

for activities related to charitable trust funds and for its Other Post Employment Benefits (OPEB) Trust funds. The OPEB trust fund is used to accumulate resources to provide funding for future OPEB liabilities.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town of Littleton, Massachusetts' progress in funding its obligation to provide pension and OPEB benefits to its employees. The *required supplementary information* also includes budget versus actual information.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Capital assets and long-term liabilities are not included on the balance sheet of the governmental funds, but are included on the statement of net position. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements. We have included schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the Governmental funds balance sheet – total fund balances to the statement of net position.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of governmental funds to the statement of activities.

A reconciliation of government-wide financial statements to enterprise funds of the fund financial statements is not necessary. The business-type activities of the government-wide financial statements and the enterprise funds use the same accounting basis and measurement focus.

Financial Analysis of the Government-wide Financial Statements

Net Position

Net position may serve over time as a useful indicator of a government's financial position. However, the net position of governmental activities should be viewed independently from business-type activities. Resources of the governmental activities are generally not used to finance costs related to business-type activities.

The 2018 amounts were adjusted to reflect the prior period adjustments.

The following table reflects the condensed net position.

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Current and Noncurrent Assets	\$ 44,869,682	\$ 36,196,023	\$ 24,119,752	\$ 23,265,179	\$ 68,989,434	\$ 59,461,202
Capital Assets	76,112,517	85,954,486	35,355,328	37,672,815	111,467,845	123,627,301
Total Assets	120,982,199	122,150,509	59,475,080	60,937,994	180,457,279	183,088,503
Deferred Outflows of Resources	2,599,224	3,130,164	1,464,468	1,730,713	4,063,692	4,860,877
Current Liabilities	16,656,200	7,724,543	4,138,378	3,259,753	20,794,578	10,984,296
Long Term Liabilities	47,474,275	51,042,106	14,494,307	14,342,389	61,968,582	65,384,495
Total Liabilities	64,130,475	58,766,649	18,632,685	17,602,142	82,763,160	76,368,791
Deferred Inflows of Resources	-	1,903,478	-	931,144	-	2,834,622
Net Position:						
Net Investment in Capital Assets	59,180,719	62,178,943	29,534,345	32,330,576	88,715,064	94,509,519
Restricted	12,738,262	13,178,594	-	-	12,738,262	13,178,594
Unrestricted	(12,468,033)	(10,746,991)	12,772,518	11,804,845	304,485	1,057,854
Total Net Position	\$ 59,450,948	\$ 64,610,546	\$ 42,306,863	\$ 44,135,421	\$ 101,757,811	\$ 108,745,967

Changes in Net Position

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the Town's net position has changed during the fiscal year.

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Revenues						
Program Revenues:						
Charges for Services	\$ 4,023,765	\$ 4,200,315	\$ 35,623,724	\$ 35,000,492	\$ 39,647,489	\$ 39,200,807
Operating Grants and Contributions	11,872,220	11,532,061	785,474	2,196,683	12,657,694	13,728,744
Capital Grants and Contributions	100,251	-	-	-	100,251	-
General Revenues:						
Property Taxes	34,768,482	37,063,578	-	-	34,768,482	37,063,578
Motor Vehicle and Other Excises	2,047,348	2,175,063	-	-	2,047,348	2,175,063
Intergovernmental Not Restricted to a Specific Program	778,847	779,382	-	-	778,847	779,382
Other	1,199,910	1,311,957	11,000	(2,902)	1,210,910	1,309,055
Total Revenues	54,790,823	57,062,356	36,420,198	37,194,273	91,211,021	94,256,629

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Expenses						
General Government	3,795,118	4,304,463	-	-	3,795,118	4,304,463
Public Safety	4,109,942	4,518,318	-	-	4,109,942	4,518,318
Education	28,437,988	30,181,197	-	-	28,437,988	30,181,197
Highways and Public Works	3,393,127	3,557,040	-	-	3,393,127	3,557,040
Human Services	450,889	529,160	-	-	450,889	529,160
Culture and Recreation	753,037	838,401	-	-	753,037	838,401
Employee Benefits	8,747,978	6,975,110	-	-	8,747,978	6,975,110
Debt Service	691,695	827,400	-	-	691,695	827,400
Electric	-	-	29,273,708	31,755,060	29,273,708	31,755,060
Water	-	-	2,884,680	2,821,808	2,884,680	2,821,808
Park and Recreation	-	-	736,635	960,516	736,635	960,516
Total Expenses	50,379,774	51,731,089	32,895,023	35,537,384	83,274,797	87,268,473
Increase (Decrease) in Net Position						
Before transfers:	4,411,049	5,331,267	3,525,175	1,656,889	7,936,224	6,988,156
Transfer In (Out)	(121,643)	(171,669)	121,643	171,669	-	-
Increase (Decrease) in Net Position	\$ 4,289,406	\$ 5,159,598	\$ 3,646,818	\$ 1,828,558	\$ 7,936,224	\$ 6,988,156

Governmental Activities

In fiscal year 2018, property taxes accounted for approximately 65% of the revenues of the governmental activities. In fiscal year 2017, they accounted for 63% of the revenues.

Business-type Activities

Electric Light are structured to cover all costs related to each activity.

Financial Analysis of the Town's Funds

Governmental Funds

The focus of the Town of Littleton, Massachusetts' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Littleton, Massachusetts' financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town of Littleton, Massachusetts itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town of Littleton, Massachusetts' Selectmen.

General Fund – The year-end fund balances of the general fund were \$403,904 less than the prior year's fund balances.

Based upon the balance sheet as of the close of each fiscal year, the Commonwealth of Massachusetts Department of Revenue (DOR) determines the amount of general fund - fund balance available for appropriation. In general, this amount (commonly known as "free cash") is generated when actual revenues on a cash basis exceed budgeted amounts and expenditures and encumbrances (unpaid commitments) are less than appropriations, or both.

The following table reflects the trend in all the components of fund balance in the general fund and details the certified free cash for the previous ten fiscal years.

Fiscal Year	Reserved for Encumbrances	Reserved for Petty Cash	Reserved for Debt Service	Designated for Deficits	Designated for Subsequent Year's Expenditure	Unreserved	Total Fund Balance
2009	824,691	2,550	23,844	(254,373)	421,034	2,053,147	3,070,893
2010	1,108,195	2,550	472,082	-	324,120	2,935,183	4,842,130

GASB 54 was implemented in fiscal year 2011. As a result the account titles of the components of fund balance changed as follows:

Fiscal Year	Restricted	Committed	Assigned	Unassigned	Total Fund Balance
2011	\$ 572,293	\$ 847,524	\$ 1,336,009	\$ 5,144,274	\$ 7,900,100
2012	559,534	1,689,947	1,225,196	7,133,654	10,608,331
2013	493,364	1,249,564	1,122,875	7,890,974	10,756,777
2014	407,632	1,890,100	1,065,633	9,182,560	12,545,925
2015	349,512	2,416,399	887,898	11,059,020	14,712,829
2016	295,445	5,856,753	1,891,621	10,489,439	18,533,258
2017	263,845	3,176,314	2,036,012	12,145,643	17,621,814
2018	138,167	7,315,518	1,714,789	8,857,244	18,025,718

Fiscal Year	Free Cash
2009	1,517,927
2010	1,900,000
2011	2,818,208
2012	4,201,775
2013	4,829,012
2014	5,811,902
2015	7,799,975
2016	6,192,679
2017	8,140,763
2018	5,100,000 Estimated

Proprietary Funds

Water, Park and Recreation and Light Enterprise Funds. The Town of Littleton, Massachusetts' proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

The differences between the original budget and the final amended budget were due primarily to a special town meeting votes and reserve fund transfers made during the year. As a result of the Town's conservative budgeting strategies, revenues exceeded budgeted amounts in all significant categories during the year.

Capital Asset and Debt Administration

Capital assets. The Town of Littleton, Massachusetts' investments in capital assets for its governmental and business type activities as of June 30, 2018 (December 31, 2017 for the Electric Light Department), amount to \$123,627,601 net of accumulated depreciation). This investment in capital assets includes land, building, improvements, infrastructure, equipment and vehicles.

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

- Fire Station (\$5,918,568)
- Alumni Field Renovation (\$2,982,199)
- Land Acquisition (\$1,273,758)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Land	\$ 11,869,885	\$ 13,143,643	\$ 2,246,904	\$ 2,246,904	\$ 14,116,789	\$ 15,390,547
Work in Process	3,892,906	12,815,101	2,871,260	-	6,764,166	12,815,101
Buildings	44,496,903	42,423,679	-	-	44,496,903	42,423,679
Improvements Other Than Building:	1,007,941	938,254	-	-	1,007,941	938,254
Other Depreciable Assets	-	-	30,237,164	35,425,911	30,237,164	35,425,911
Infrastructure	11,371,819	13,217,785	-	-	11,371,819	13,217,785
Equipment	1,579,865	1,628,389	-	-	1,579,865	1,628,389
Vehicles	1,893,198	1,787,635	-	-	1,893,198	1,787,635
Total	<u>\$ 76,112,517</u>	<u>\$ 85,954,486</u>	<u>\$ 35,355,328</u>	<u>\$ 37,672,815</u>	<u>\$ 111,467,845</u>	<u>\$ 123,627,301</u>

Debt

The Town had \$30,089,330 in bonds, outstanding on June 30, 2018. This represents a \$6,651,542 increase from the prior fiscal year.

The Town's bond rating by Standard and Poor is AAA.

	Prior	Current
Governmental Activities	Fiscal Year	Fiscal Year
General Obligation Bonds Payable	\$ 18,466,817	\$ 24,746,794
Business-type Activities		
Water	4,708,941	5,212,239
Electric Light	261,733	130,000
Total Debt	<u>\$ 23,437,491</u>	<u>\$ 30,089,033</u>

Fiscal Year 2019 Budget

An initiative state statute, commonly known as "Proposition 2 ½", limits the amount of property taxes that Towns can assess in any one year. In general, the Town's property tax levy may increase by 2 ½ percent over the prior year's tax levy, plus any additional amount derived by new developments or other changes made to existing property. If the community wishes to levy taxes above the limitations imposed by "Proposition 2 ½", it is necessary to obtain the approval of a majority of the voters at an election.

The Town utilized \$4,668,271 of its general fund unreserved fund balance to help fund the fiscal year 2019 operating budget.

Request for Information

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

Town of Littleton
Assistant Town Administrator
37 Shattuck Street
P.O. Box 1305
Littleton, MA 01460

Town of Littleton, Massachusetts
Statement of Net Position
June 30, 2018
(Except for the Electric Activity, Which is for Year Ended December 31, 2017)

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Government- Wide Total</u>
Assets			
Current:			
Cash and Investments	\$ 34,257,426	\$ 6,035,309	\$ 40,292,735
Petty Cash	2,550	-	2,550
Accounts Receivable:			
Property Taxes	346,812	-	346,812
Property Taxes - Clause 41A	4,016	-	4,016
Tax Liens	256,842	-	256,842
Excises	199,858	-	199,858
User Charges	89,682	3,979,921	4,069,603
Accrued Unbilled Revenues	-	279,791	279,791
Merchandising and Jobbing	-	4,404	4,404
Intergovernmental	605,151	1,193,224	1,798,375
Other	-	34,688	34,688
Inventory	-	819,946	819,946
Prepaid Expenses	-	421,171	421,171
Noncurrent:			
Restricted Cash	-	497,068	497,068
Restricted Investments	-	9,791,262	9,791,262
Accounts Receivable:			
Intergovernmental	207,863	-	207,863
Special Assessments - Not Yet Due	225,823	-	225,823
Other Post Employment Benefits Obligation Asset	-	208,395	208,395
Capital Assets:			
Assets Not Being Depreciated	25,958,744	2,246,904	28,205,648
Assets Being Depreciated, Net	59,995,742	35,425,911	95,421,653
Total Assets	<u>122,150,509</u>	<u>60,937,994</u>	<u>183,088,503</u>
Deferred Outflows of Resources			
Debt Refunding	74,480	6,933	81,413
Pensions	2,960,331	1,719,073	4,679,404
Other Post Employment Benefits	95,353	4,707	100,060
Total Deferred Outflows of Resources	<u>3,130,164</u>	<u>1,730,713</u>	<u>4,860,877</u>
Liabilities			
Current:			
Warrants Payable	763,121	-	763,121
Accrued Salaries Payable	2,058,495	130,550	2,189,045
Accounts Payable	-	2,323,690	2,323,690
Guarantee Deposits	724,215	-	724,215
Unclaimed Checks	12,202	-	12,202
Other Liabilities	15,606	158,501	174,107
Accrued Interest Payable	231,212	52,215	283,427
Compensated absences	175,099	79,155	254,254
Bond Anticipation Notes Payable	1,000,000	-	1,000,000
Bonds Payable	2,744,593	515,642	3,260,235
Noncurrent:			
Compensated Absences	262,648	254,303	516,951
Net Pension Liability	13,007,685	8,425,104	21,432,789
Net Other Post Employment Benefits Liability	15,769,572	836,385	16,605,957
Bonds Payable	22,002,201	4,826,597	26,828,798
Total Liabilities	<u>58,766,649</u>	<u>17,602,142</u>	<u>76,368,791</u>
Deferred Inflows of Resources			
Debt Refunding	300,000	-	300,000
Pensions	1,603,478	931,144	2,534,622
Total Deferred Inflows of Resources	<u>1,903,478</u>	<u>931,144</u>	<u>2,834,622</u>
Net Position			
Net Investment in Capital Assets	62,178,943	32,330,576	94,509,519
Restricted for:			
Community Preservation	1,805,417	-	1,805,417
After School Programs	631,437	-	631,437
Gifts, Grants and Other Statutory Restrictions	7,007,922	-	7,007,922
Debt Service	138,167	-	138,167
Perpetual Funds:			
Expendable	2,228,127	-	2,228,127
Nonexpendable	1,367,524	-	1,367,524
Unrestricted	(10,746,991)	11,804,845	1,057,854
Total Net Position	<u>\$ 64,610,546</u>	<u>\$ 44,135,421</u>	<u>\$ 108,745,967</u>

Town of Littleton, Massachusetts
 Statement of Activities
 Fiscal Year Ended June 30, 2018
 (Except for the Electric Activity, Which is for Year Ended December 31, 2017)

Functions/Programs	Program Revenues					Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Operating		Capital	Governmental Activities	Business-Type Activities	Total	
		Charges for Services	Grants and Contributions	Grants and Contributions				
Primary Government:								
<i>Governmental Activities:</i>								
General Government	\$ 4,304,463	\$ 1,054,106	\$ 464,114	\$ -	\$ (2,786,243)	\$ -	\$ (2,786,243)	
Public Safety	4,518,318	874,932	101,687	-	(3,541,699)	-	(3,541,699)	
Education	30,181,197	1,630,097	9,758,364	-	(18,792,736)	-	(18,792,736)	
Highways and Public Works	3,557,040	551,592	857,956	-	(2,147,492)	-	(2,147,492)	
Human Services	529,160	67,831	160,272	-	(301,057)	-	(301,057)	
Culture and Recreation	838,401	21,757	189,668	-	(626,976)	-	(626,976)	
Employee Benefits	6,975,110	-	-	-	(6,975,110)	-	(6,975,110)	
Debt Service	827,400	-	-	-	(827,400)	-	(827,400)	
Total Governmental Activities	51,731,089	4,200,315	11,532,061	-	(35,998,713)	-	(35,998,713)	
<i>Business-Type Activities:</i>								
Electric	31,755,060	31,374,983	1,896,128	-	-	1,516,051	1,516,051	
Water	2,821,808	2,898,661	300,555	-	-	377,408	377,408	
Park and Recreation	960,516	726,848	-	-	-	(233,668)	(233,668)	
Total Business-Type Activities	35,537,384	35,000,492	2,196,683	-	-	1,659,791	1,659,791	
Total Primary Government	\$ 87,268,473	\$ 39,200,807	\$ 13,728,744	\$ -	(35,998,713)	1,659,791	(34,338,922)	
<i>General Revenues:</i>								
Property Taxes					37,063,578	-	37,063,578	
Motor Vehicle and Other Excise Taxes					2,175,063	-	2,175,063	
Penalties and Interest on Taxes					93,042	-	93,042	
Other Taxes, Assessments and								
in Lieu Payments					857,226	-	857,226	
Intergovernmental					779,382	-	779,382	
Interest and Investment Income					269,345	-	269,345	
Other Revenue					23,940	-	23,940	
Contributions to Permanent Funds					72,445	-	72,445	
Gain (Loss) on Disposition of Asset					(4,041)	(2,902)	(6,943)	
Transfer In (Out)					(171,669)	171,669	-	
Total General Revenues, Special Items and Transfers					41,158,311	168,767	41,327,078	
Change in Net Position					5,159,598	1,828,558	6,988,156	
<i>Net Position:</i>								
Beginning of the Year					59,630,326	42,887,834	102,518,160	
Prior Period Adjustments					(179,378)	(580,971)	(760,349)	
Adjusted Beginning of the Year					59,450,948	42,306,863	101,757,811	
End of the Year					\$ 64,610,546	\$ 44,135,421	\$ 108,745,967	

Town of Littleton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2018

	<u>General</u>	<u>Fire Station Construction</u>	<u>Alumni Field Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and Investments	\$ 20,872,452	\$ 356,770	\$ 394,907	\$ 12,633,297	\$ 34,257,426
Petty Cash	2,550	-	-	-	2,550
Accounts Receivable:					
Property Taxes	344,517	-	-	2,295	346,812
Property Taxes - Clause 41 A	4,016	-	-	-	4,016
Tax Liens	256,842	-	-	-	256,842
Excises	199,858	-	-	-	199,858
User Charges	-	-	-	89,682	89,682
Special Assessments - Not Yet Due	27,386	-	-	198,437	225,823
Intergovernmental	415,726	-	-	397,288	813,014
Tax Foreclosures	345,759	-	-	-	345,759
Total Assets	\$ 22,469,106	\$ 356,770	\$ 394,907	\$ 13,320,999	\$ 36,541,782
Liabilities:					
Warrants Payable	\$ 645,022	\$ -	\$ -	\$ 118,099	\$ 763,121
Accrued Salaries Payable	1,911,628	-	-	146,867	2,058,495
Guarantee Deposits	724,215	-	-	-	724,215
Unclaimed Checks	12,202	-	-	-	12,202
Other Liabilities	-	-	-	15,606	15,606
Bonds Anticipation Notes Payable	-	-	-	1,000,000	1,000,000
Total Liabilities	3,293,067	-	-	1,280,572	4,573,639
Deferred Inflow of Resources:					
Unavailable Revenues					
Property Taxes	61,143	-	-	2,295	63,438
Clause 41 A Property Taxes	4,016	-	-	-	4,016
Tax Liens	256,842	-	-	-	256,842
Excises	39,449	-	-	-	39,449
Special Assessments	27,386	-	-	198,437	225,823
Tax Foreclosures	345,759	-	-	-	345,759
User Charges	-	-	-	89,682	89,682
Intergovernmental	415,726	-	-	397,288	813,014
Total Deferred Inflow of Resources	1,150,321	-	-	687,702	1,838,023
Fund Equity:					
Fund Balances:					
Nonspendable	-	-	-	1,367,524	1,367,524
Restricted	138,167	356,770	394,907	9,067,059	9,956,903
Committed	7,315,518	-	-	1,924,506	9,240,024
Assigned	1,714,789	-	-	-	1,714,789
Unassigned	8,857,244	-	-	(1,006,364)	7,850,880
Total Fund Balances	18,025,718	356,770	394,907	11,352,725	30,130,120
Total Liabilities, Deferred Inflows of Resources and Fund Balances					
	\$ 22,469,106	\$ 356,770	\$ 394,907	\$ 13,320,999	\$ 36,541,782

Town of Littleton, Massachusetts
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2018

	<u>General</u>	<u>Fire Station Construction</u>	<u>Alumni Field Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property Taxes	\$ 36,751,690	\$ -	\$ -	\$ 285,120	\$ 37,036,810
Tax Liens	93,384	-	-	-	93,384
Excises	2,180,009	-	-	-	2,180,009
Penalties and Interest	121,126	-	-	-	121,126
Licenses, Permits and Fees	418,008	-	-	115,375	533,383
Departmental	148,306	-	-	2,595,948	2,744,254
Intergovernmental	8,923,718	-	-	2,518,312	11,442,030
Charges for Services	331,636	-	-	817,660	1,149,296
Fines and Forfeits	58,049	-	-	-	58,049
Earnings on Investments	269,345	-	-	200,229	469,574
In Lieu of Taxes	857,226	-	-	-	857,226
Contributions	-	-	-	259,271	259,271
Special Assessments	34,513	-	-	-	34,513
Miscellaneous	23,940	-	-	8,266	32,206
Total Revenues	50,210,950	-	-	6,800,181	57,011,131
Expenditures:					
Current					
General Government	3,797,086	-	-	1,734,500	5,531,586
Public Safety	3,806,784	5,918,568	-	155,681	9,881,033
Education	23,676,854	-	2,982,199	3,577,874	30,236,927
Highways and Public Works	4,070,288	-	-	1,505,279	5,575,567
Human Services	416,440	-	-	103,907	520,347
Culture and Recreation	736,090	-	-	89,676	825,766
Employee Benefits	8,166,110	-	-	-	8,166,110
Debt Service	3,018,908	-	-	-	3,018,908
Intergovernmental	1,117,118	-	-	-	1,117,118
Total Expenditures	48,805,678	5,918,568	2,982,199	7,166,917	64,873,362
Excess of Revenues Over (Under) Expenditures	1,405,272	(5,918,568)	(2,982,199)	(366,736)	(7,862,231)
Other Financing Sources (Uses):					
Transfers In	1,105,057	-	500,000	1,789,394	3,394,451
Transfers (Out)	(2,106,425)	-	-	(1,459,695)	(3,566,120)
Proceeds from Bonds	-	5,650,100	2,355,000	300,000	8,305,100
Premium on Bonds	-	309,675	182,708	-	492,383
Proceeds from Refunding Bonds	4,090,000	-	-	-	4,090,000
Payments of Refunded Bonds	(4,390,000)	-	-	-	(4,390,000)
Premium on Refunding Issue	300,000	-	-	-	300,000
Total Other Financing Sources (Uses)	(1,001,368)	5,959,775	3,037,708	629,699	8,625,814
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	403,904	41,207	55,509	262,963	763,583
Fund Balance, Beginning	17,621,814	-	-	11,744,723	29,366,537
Prior Period Adjustments	-	315,563	339,398	(654,961)	-
Fund Balance, Beginning as Restated	17,621,814	315,563	339,398	11,089,762	29,366,537
Fund Balance, Ending	\$ 18,025,718	\$ 356,770	\$ 394,907	\$ 11,352,725	\$ 30,130,120

Town of Littleton, Massachusetts
 Reconciliation of the Governmental Funds Balance Sheet
 Total Fund Balances to the Statement of Net Position
 June 30, 2018

Total governmental fund balances	\$ 30,130,120
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	85,954,486
Other assets are offset in unavailable accounts and are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,838,023
This represents the amount included in Unavailable Revenue for tax foreclosures. The tax foreclosures are included as fixed assets (not accounts receivable) on the Statement of Net Position.	(345,759)
Deferred Outflows/Inflows of Resources related to Pensions, OPEB and Debt Refundings are not required to be reported in the fund financial statements. However, they must be amortized as expenses in future periods in the entity- wide financial statements:	
Deferred Outflows of Resources - Pensions	2,960,331
Deferred Outflows of Resources - Debt Refunding	74,480
Deferred Outflows of Resources - Other Post Employment Benefits	95,353
Deferred Inflows of Resources - Pensions	(1,603,478)
Deferred Inflows of Resources - Debt Refunding	(300,000)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds Payable	(24,746,794)
Accrued Interest on Bonds	(231,212)
Net Pension Liability	(13,007,685)
Other Post Employment Benefits Payable	(15,769,572)
Net position of governmental activities	<u>\$ 64,610,546</u>

Town of Littleton, Massachusetts
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 June 30, 2018

Net change in fund balances - total governmental funds	\$ 763,583
--	------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and the contribution of assets exceeded depreciation in the current period.

Capital Outlay	13,414,046
Gain (Loss) on Disposal of Assets	(4,041)
Depreciation	<u>(3,568,036)</u>
Net Effect of Reporting Capital Assets	9,841,969

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.

55,266

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Premium from Issuance of Bond	(492,383)
Amortization of Premium from Bond	50,337
Amortization of Deferred Outflow of Resources-Refunding	(26,734)
Proceed from Issuance of Bond	(8,305,100)
Principal Payments on Bonds	<u>2,167,169</u>
Net Effect of Reporting Long Term Debt	(6,606,711)

Some expenses (i.e. accrued interest payable) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount reflects the net change from the prior year.

736

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. These amounts represent the change in these accounts from the prior fiscal year.

Compensated Absence Payable Accrual	(86,245)
Other Post Employment Benefits Payable	182,586
Net Pension Liability	<u>1,008,414</u>
Net Effect of Reporting Other Items	1,104,755
Change in net position of governmental activities	<u><u>\$ 5,159,598</u></u>

Town of Littleton, Massachusetts
 Proprietary Funds
 Statement of Net Position
 June 30, 2018
 (Except for the Electric Activity, Which is December 31, 2017)

	Business Type Activities			
	Electric Light	Water	Park and Recreation	Total
Assets				
Current:				
Cash and Investments	\$ 4,650,494	\$ 1,037,852	\$ 346,963	\$ 6,035,309
Accounts Receivable, Net of Allowance:				
User Charges	3,768,313	211,608	-	3,979,921
Accrued Unbilled Revenues	-	279,791	-	279,791
Merchandising and Jobbing	-	4,404	-	4,404
Other	34,688	-	-	34,688
Intergovernmental	1,193,224	-	-	1,193,224
Prepaid Expenses	421,171	-	-	421,171
Inventory	752,875	67,071	-	819,946
Noncurrent:				
Restricted Cash	497,068	-	-	497,068
Restricted Investments	9,791,262	-	-	9,791,262
Other Post Employment Benefits Asset Obligation	208,395	-	-	208,395
Assets Not Being Depreciated	1,312,676	934,228	-	2,246,904
Assets Being Depreciated, Net	22,992,658	12,433,253	-	35,425,911
Total Assets	<u>45,622,824</u>	<u>14,968,207</u>	<u>346,963</u>	<u>60,937,994</u>
Deferred Outflows of Resources				
Debt Refunding	6,933	-	-	6,933
Pensions	1,391,094	242,861	85,118	1,719,073
Other Post Employment Benefits	-	4,707	-	4,707
Total Deferred Outflows of Resources	<u>1,398,027</u>	<u>247,568</u>	<u>85,118</u>	<u>1,730,713</u>
Liabilities				
Current:				
Accrued Payroll Payable	\$ 96,334	\$ -	\$ 34,216	\$ 130,550
Accounts Payable	2,281,473	-	42,217	2,323,690
Other Liabilities	158,501	-	-	158,501
Accrued Interest Payable	1,827	50,388	-	52,215
Compensated Absences	52,295	24,993	1,867	79,155
Bonds Payable	130,000	385,642	-	515,642
Noncurrent:				
Compensated Absences	191,630	58,318	4,355	254,303
Net Pension Liability	6,817,691	1,190,252	417,161	8,425,104
Net Other Post Employment Benefits Liability	-	836,385	-	836,385
Bonds Payable	-	4,826,597	-	4,826,597
Total Liabilities	<u>9,729,751</u>	<u>7,372,575</u>	<u>499,816</u>	<u>17,602,142</u>
Deferred Inflows of Resources				
Pensions	753,492	131,547	46,105	931,144
Total Deferred Inflows of Resources	<u>753,492</u>	<u>131,547</u>	<u>46,105</u>	<u>931,144</u>
Net Position				
Net Investment in Capital Assets	24,175,334	8,155,242	-	32,330,576
Unrestricted	12,362,274	(443,589)	(113,840)	11,804,845
Total Net Position	<u>\$ 36,537,608</u>	<u>\$ 7,711,653</u>	<u>\$ (113,840)</u>	<u>\$ 44,135,421</u>

Town of Littleton, Massachusetts
 Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 Fiscal Year Ended June 30, 2018
 (Except for the Electric Activity, Which is December 31, 2017)

	Business Type Activities			
	Electric	Water	Park and Recreation	Total
	Light Enterprise	Enterprise	Enterprise	
Operating Revenues:				
Charges for Services	\$ 30,925,919	\$ 1,843,356	\$ 726,848	\$ 33,496,123
Debt Service Fee	-	454,503	-	454,503
Total Operating Revenues	30,925,919	2,297,859	726,848	33,950,626
Operating Expenditures:				
Purchase Power	23,797,576	-	-	23,797,576
Operating	969,691	187,154	960,516	2,117,361
Maintenance	789,765	950,865	-	1,740,630
General and Administrative	3,311,137	1,099,194	-	4,410,331
Depreciation	1,029,612	579,440	-	1,609,052
Total Operating Expenditures	29,897,781	2,816,653	960,516	33,674,950
Operating Income	1,028,138	(518,794)	(233,668)	275,676
Nonoperating Revenues (Expenses):				
Merchandising and Jobbing Revenues	449,064	589,069	-	1,038,133
Earnings on Investments	497,410	-	-	497,410
Intergovernmental	1,398,718	-	-	1,398,718
Hurricane Disaster Areas	(752,847)	-	-	(752,847)
Miscellaneous	-	11,733	-	11,733
Contribution of Services to Water Department	(285,719)	-	-	(285,719)
Contribution of Services by Light Department	-	300,555	-	300,555
Contribution to Schools and Town by Light Department	(42,125)	-	-	(42,125)
Gain (Loss) on Disposition of Asset	(2,902)	-	-	(2,902)
Interest Expense	(16,588)	(138,837)	-	(155,425)
Payment to Town Indirect Costs and In Lieu of Taxes	(760,000)	-	-	(760,000)
Rental Income	-	133,682	-	133,682
Total Nonoperating Revenues (Expenses)	485,011	896,202	-	1,381,213
Change in Net Position Before Transfers	1,513,149	377,408	(233,668)	1,656,889
Transfers In (Out):				
Transfers from Other Funds	-	-	171,669	171,669
Total Transfers In (Out)	-	-	171,669	171,669
Change in Net Position	1,513,149	377,408	(61,999)	1,828,558
Total Net Position at Beginning of Year	35,024,459	7,915,216	(51,841)	42,887,834
Prior Period Adjustments	-	(580,971)	-	(580,971)
Total Net Position at Beginning of Year, as Restated	35,024,459	7,334,245	(51,841)	42,306,863
Total Net Position at End of Year	\$ 36,537,608	\$ 7,711,653	\$ (113,840)	\$ 44,135,421

Town of Littleton, Massachusetts

Statement of Cash Flows

Proprietary Fund

Fiscal Year Ended June 30, 2018

(Except for the Electric Activity, Which is for Year Ended December 31, 2017)

	<u>Electric Light</u>	<u>Water</u>	<u>Park and Recreation</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 30,226,015	\$ 2,347,077	\$ 726,848	\$ 33,299,940
Payments to Employees and Vendors	(28,879,993)	(1,966,824)	(896,756)	(31,743,573)
Net Cash Flows Provided (Used) by Operating Activities	<u>1,346,022</u>	<u>380,253</u>	<u>(169,908)</u>	<u>1,556,367</u>
Cash Flows from Non Capital Related Financing Activities:				
Merchandising and Jobbing Revenue	435,417	595,507	-	1,030,924
Other Income	(547,353)	-	-	(547,353)
Intergovernmental	-	40,000	-	40,000
Rental Income	-	133,682	-	133,682
Miscellaneous	-	11,733	-	11,733
Payment to Town Indirect Costs and In Lieu of Taxes	(760,000)	-	-	(760,000)
Contribution of Services to Water Department	(285,719)	-	-	(285,719)
Contribution to Schools and Town by Light Department	(42,125)	-	-	(42,125)
Transfers In (Out)	-	-	171,669	171,669
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	<u>(1,199,780)</u>	<u>780,922</u>	<u>171,669</u>	<u>(247,189)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(3,232,439)	(715,985)	-	(3,948,424)
Sale of Capital Assets	18,983	-	-	18,983
Proceeds from Bond Anticipation Notes	-	847,000	-	847,000
Retirement of Bond Anticipation Note	-	(1,717,000)	-	(1,717,000)
Proceeds from Bonds	-	890,900	-	890,900
Principal Payments on Bonds	(131,733)	(425,000)	-	(556,733)
Interest Expense	(11,116)	(100,598)	-	(111,714)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(3,356,305)</u>	<u>(1,220,683)</u>	<u>-</u>	<u>(4,576,988)</u>
Cash Flows from Investing Activities:				
Earnings on Investments	497,410	-	-	497,410
Net Cash Flows Provided (Used) by Investing Activities	<u>497,410</u>	<u>-</u>	<u>-</u>	<u>497,410</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(2,712,653)</u>	<u>(59,508)</u>	<u>1,761</u>	<u>(2,770,400)</u>
Cash and Cash Equivalents at Beginning of Year	17,651,477	1,097,360	345,202	19,094,039
Cash and Cash Equivalents at End of Year	<u>\$ 14,938,824</u>	<u>\$ 1,037,852</u>	<u>\$ 346,963</u>	<u>\$ 16,323,639</u>
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 1,028,138	\$ (518,794)	\$ (233,668)	\$ 275,676
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense	1,029,612	579,440	-	1,609,052
Contribution of Services by Light Department	-	300,555	-	300,555
(Increase) Decrease in Accounts Receivable	(699,904)	49,218	-	(650,686)
(Increase) Decrease in Other Assets	(208,395)	-	-	(208,395)
(Increase) Decrease in Deferred Outflows of Resources	-	(42,635)	(13,293)	(55,928)
(Increase) Decrease in Prepayments	58,430	-	-	58,430
Increase (Decrease) in Payroll and Accounts Payable	138,141	728	19,586	158,455
Increase (Decrease) in Compensated Absences Payable	-	4,581	5,393	9,974
Increase (Decrease) in Net Pension Liability	-	(53,226)	(18,655)	(71,881)
Increase (Decrease) in Net Other Post Employment Benefits Payable	-	(21,161)	-	(21,161)
Increase (Decrease) in Other Liabilities	-	(50,000)	-	(50,000)
Increase (Decrease) in Deferred Inflows of Resources	-	131,547	46,105	177,652
Net Cash Provided by Operating Activities	<u>\$ 1,346,022</u>	<u>\$ 380,253</u>	<u>\$ (169,908)</u>	<u>\$ 1,556,367</u>

Town of Littleton, Massachusetts

Fiduciary Funds

Statement of Net Position

June 30, 2018

(Except for the Electric OPEB Trust, Which is for Year Ended December 31, 2017)

	Private Purpose Trust Fund <u>Charity</u>	Town Other Post Employment Benefits <u>Trust</u>	Electric Light Other Post Employment Benefits <u>Trust</u>	Electric Light Agency Funds
Assets				
Cash and Cash Investments	\$ 1,669,104	\$ -	\$ -	\$ 624,359
Investments:				
Domestic Equities	-	3,216,200	783,705	-
Domestic Bonds	-	1,687,335	426,779	
International Equities	-	2,099,714	563,331	-
International Bonds	-	403,376	226,684	-
Alternatives	-	1,552,275	-	-
Cash and Equivalents	-	45,020	201,898	-
Other	-	-	50,925	-
	<u>1,669,104</u>	<u>9,003,920</u>	<u>2,253,322</u>	<u>624,359</u>
Liabilities				
Warrants Payable	-	-	-	-
Withholdings Payable	-	-	-	427,046
Other	-	-	-	197,313
Total Liabilities	-	-	-	<u>624,359</u>
Net Position				
Restricted for:				
Other Post Employment Benefits	-	9,003,920	2,253,322	-
Other Purposes	<u>1,669,104</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 1,669,104</u>	<u>\$ 9,003,920</u>	<u>\$ 2,253,322</u>	<u>\$ -</u>

Town of Littleton, Massachusetts
 Fiduciary Funds
 Statement of Changes in Net Position
 Fiscal Year Ended June 30, 2018
 (Except for the Electric OPEB Trust, Which is for Year Ended December 31, 2017)

	Private Purpose Trust Fund <u>Charity</u>	Town Other Post Employment <u>Benefits</u>	Electric Light Other Post Employment <u>Benefits</u>
Additions:			
Employer Contributions	\$ -	\$ 2,352,890	\$ 539,069
Interest, Dividends, and Other	<u>88,369</u>	<u>461,845</u>	<u>235,555</u>
Total Additions	<u>88,369</u>	<u>2,814,735</u>	<u>774,624</u>
Deductions:			
Benefit Payments	- -	919,952	289,069
Scholarships	<u>71,500</u>	<u>-</u>	<u>-</u>
Total Deductions	<u>71,500</u>	<u>919,952</u>	<u>289,069</u>
Change in Net Position	<u>16,869</u>	<u>1,894,783</u>	<u>485,555</u>
Net Position:			
Beginning of the Year	<u>1,652,235</u>	<u>7,109,137</u>	<u>1,767,767</u>
Ending of the Year	<u>\$ 1,669,104</u>	<u>\$ 9,003,920</u>	<u>\$ 2,253,322</u>

Town of Littleton, Massachusetts
Notes to the Financial Statements
June 30, 2018 (December 31, 2017 Electric Light Enterprise Fund)

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Littleton, Massachusetts, as reflected in the accompanying financial statements for the year ended June 30, 2018, conform to accounting principles generally accepted in the United States of America for local government units, except as indicated hereafter.

The more significant accounting policies of the Town are summarized below.

(A) Reporting Entity

The Town's basic financial statements include the operations of all organizations for which the Board of Selectmen exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

(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 the interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are 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.

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

Major Fund Criteria

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

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

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

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

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Primary sources of revenue considered susceptible to accrual consist principally of real estate and personal property taxes, motor vehicle excise tax, amounts due under grants, charges for services and investment income. Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. All other revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, accumulated sick pay, and other employee amounts which are not to be liquidated from expendable and available resources; and (2) debt service expenditures which are recognized when due.

The Town reports the following major governmental funds:

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

Fire Station Construction - This major capital projects fund accounts for the activity related to the fire station expansion project.

Alumni Field Construction - This major capital projects fund accounts for the activity related to the Alumni Field renovation project.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following types are funds are included in the nonmajor category:

The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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

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

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

The Town reports the following major proprietary funds:

Water Fund – This fund is used to account for the activities related to the water distribution system.

Electric Light Fund – This fund is used to account for the activities related to the Electric Light Department.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The other postemployment benefit trust fund is used to accumulate resources for future other postemployment benefits (OPEB) liabilities.

The private-purpose trust fund is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion to be spent. The Town maintains a private purpose trust fund for several charitable trusts funds.

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

(D) Assets, Liabilities and Net Position or Equity

i Deposits and Investments

The Town's cash and cash equivalents are considered to be demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust "MMDT".

Also, certain governmental funds (primarily trust funds) have broader investment powers which allow for investments in common stocks, corporate bonds and other types of investments.

ii Property Taxes

The Town's fiscal year runs from July 1 to June 30. Taxes are levied to the owner of record on the preceding January 1. Estimated bills (based on the prior year) are due on August 1 and November 1. Actual bills are mailed after the tax rate has been set and are due on February 1 and May 1. Property taxes attach as enforceable liens on property as of July 1st of the next fiscal year.

The Town is permitted to levy property taxes to the lesser of 2.5% of the full and fair cash value of the Town's property or 2.5% increase of the prior year's levy plus new growth. Overrides, debt exclusions and capital exclusions can be authorized by voter approval.

iii Capital Assets

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

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets lives is not capitalized.

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

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Vehicles	5-15
Equipment	5-10

iv. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the balance sheet 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 that time.

In addition to liabilities, the statement of net position and the balance sheet 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's governmental fund financial statement (balance sheet) reflects deferred inflows of resources for revenues that are not considered "available". The government wide financial statement (statement of net position) reflects deferred outflows of resources related to pensions, other post employment benefits and debt refundings. In addition, the statement of net position reflects deferred inflows of resources related to pensions and debt refundings.

v. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows.

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 debt used to acquire capital assets.

Outstanding debt related to future reimbursements from the state's school building program is not considered to be capital related debt.

Net position is reported as restricted when there is an externally imposed restriction on its use or it is limited by enabling legislation.

Fund Financial Statements (Fund Balances)

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to the constraints on the specific purposes for which the amounts in those funds can be spent.

GASB 54 requires that the fund balance amounts to be reported within one of the fund balance categories list below.

1. Nonspendable, includes amounts that cannot be spent because they are (a) not in spendable form (such as fund balance associated with inventories) or are (b) legally or contractually required to stay intact (i.e. corpus of a permanent trust fund),

2. Restricted, constraints are placed on the use of resources that can be spent only for the specific purposes that are either (a) imposed by creditors, grantors or contributors, or (b) imposed by law through constitution provisions or through enabling legislation,

3. Committed, includes amounts that can be used only for the specific purposes determined by a formal action of Town meeting (the Town's highest level of decision-making authority).

Committed fund balance cannot be used for any other purpose unless the same formal action (i.e. Town meeting vote) that was taken to commit the fund balance is taken to uncommit it or commit it for another purpose.

4.Assigned, intended (by the Board of Selectmen, Town Administrator or Town Accountant) to be used by the government for specific purposes, but does not meet the criteria to be classified as restricted or committed, and

5.Unassigned, the residual classification for the government's general fund and includes all spendable amounts not contained in the restricted, committed or assigned categories. Only the general fund may have a positive unassigned fund balance.

The Town has not formally adopted a policy for its use of unrestricted fund balance. Therefore, in accordance with GASB 54, it considered that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Details of Fund Balance Classifications

The following schedule shows the detail of the fund balance classifications displayed in the aggregate on the Town's balance sheet.

	<u>General Fund</u>	<u>Fire Station Construction</u>	<u>Alumni Field Construction</u>	<u>Non Major Funds</u>	<u>Total</u>
Fund Balances:					
Nonspendable:					
Cemetery Perpetual Care	\$ -	\$ -	\$ -	\$ 266,804	\$ 266,804
Culture and Recreation	-	-	-	50,242	50,242
Education	-	-	-	609,122	609,122
Library	-	-	-	441,356	441,356
Total Nonspendable	-	-	-	1,367,524	1,367,524
Restricted:					
After School Programs	-	-	-	631,437	631,437
Community Preservation	-	-	-	1,803,122	1,803,122
Local Access Television	-	-	-	521,281	521,281
Alumni Field Construction	-	-	394,907	-	394,907
Special Education	-	-	-	549,686	549,686
Cemetery Perpetual Care	-	-	-	264,611	264,611
Fire Station Construction	-	356,770	-	-	356,770
Library	-	-	-	812,926	812,926
General Government	-	-	-	674,264	674,264
Public Safety	-	-	-	133,989	133,989
Education	-	-	-	2,973,208	2,973,208
Highways and Public Works	-	-	-	66,545	66,545
Human Services	-	-	-	101,290	101,290
Culture and Recreation	-	-	-	534,700	534,700
Debt Service	138,167	-	-	-	138,167
Total Restricted:	138,167	356,770	394,907	9,067,059	9,956,903

	<u>General Fund</u>	<u>Fire Station Construction</u>	<u>Alumni Field Construction</u>	<u>Non Major Funds</u>	<u>Total</u>
Committed:					
Ambulance Services	-	-	-	714,637	714,637
Building Department	-	-	-	162,960	162,960
Clean Lakes Projects	-	-	-	468,222	468,222
Fuel Facility	-	-	-	77,789	77,789
High School Projects	-	-	-	389,648	389,648
Shaker Lane School Site	-	-	-	111,250	111,250
Debt Services	242,871	-	-	-	242,871
Capital Outlay	4,291,305	-	-	-	4,291,305
General Government	1,233,478	-	-	-	1,233,478
Public Safety	183,251	-	-	-	183,251
Education	36,616	-	-	-	36,616
Highways and Public Works	450,329	-	-	-	450,329
Human Services	2,547	-	-	-	2,547
Culture and Recreation	79,440	-	-	-	79,440
Debt Service	795,681	-	-	-	795,681
Total Committed:	7,315,518	-	-	1,924,506	9,240,024

Assigned:					
General Government	169,220	-	-	-	169,220
Education	5,847	-	-	-	5,847
Highways and Public Works	839,577	-	-	-	839,577
Human Services	6,100	-	-	-	6,100
Employee Benefits	171,148	-	-	-	171,148
Free Cash to Reduce Taxes	522,897	-	-	-	522,897
Total Assigned:	1,714,789	-	-	-	1,714,789
Unassigned:	8,857,244	-	-	(1,006,364)	7,850,880
Total Fund Balances	\$ 18,025,718	\$ 356,770	\$ 394,907	\$ 11,352,725	\$ 30,130,120

Stabilization Fund

The Town established a stabilization fund in accordance with Massachusetts General Laws Chapter 40 Section 5B. That section of the law stipulates that “cities, towns and districts may create one or more stabilization funds and appropriate any amount into the funds. Any interest shall be added to and become part of the fund”.

“The treasurer shall be the custodian of all stabilization funds and may deposit the proceeds in a trust company, co-operative bank or savings bank, if the trust company or bank is organized or exists pursuant to the laws of the commonwealth or any other state or may transact business in the commonwealth and has its main office or a branch office in the commonwealth; a national bank, federal savings bank or federal savings and loan association, if the bank or association may transact business and has its main office or a branch office in the commonwealth; provided, however, that a state-chartered or federally-chartered bank shall be insured by the Federal Deposit Insurance Corporation or its successor; or may invest the funds in participation units in a combined investment fund pursuant to section 38A of chapter 29 or in securities that are legal investments for savings banks.”

“At the time of creating any stabilization fund the city, town or district shall specify, and at any later time may alter, the purpose of the fund, which may be for any lawful purpose, including without limitation, an approved school project pursuant to chapter 70B or any other purpose for which the city, town or district may lawfully borrow money. The specification and any alteration of purpose, and any appropriation of funds from any such fund, shall be approved by a two-thirds vote, except as provided in paragraph (g) of section 21C of chapter 59 for a majority referendum vote. Subject to said section 21C of said chapter 59, any such vote shall be of the legislative body of the city, town or district, subject to charter.”

The Town’s stabilization fund has a current balance of \$2,100,172. The stabilization fund is reported as a component of unassigned fund balance in the general fund on the Town’s balance sheet. In addition, the Town has established a “capital” stabilization fund and a debt stabilization fund. The current balances of those funds are \$430,802 and \$795,681, respectively. They are reported as a component of committed fund balance on the Town’s balance sheet.

vi Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on contractual agreements. The liabilities for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid accumulated annual vacation and sick leave benefits. A liability for the compensated absences is reported in the governmental funds only if they have matured and will be paid from available resources.

vii Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

viii Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ix Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

E. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Middlesex County Retirement System and the Massachusetts Teachers' Retirement System and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II **Stewardship, Compliance and Accountability**

(A) Budgetary Information

i General Budget Policies

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January, February and March of each year. The Selectmen and Finance Committee have until May, which is when the annual Town meeting is held, to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations.

Encumbrances do not constitute expenditures or liabilities.

ii Budget Basis of Accounting

The final budget appearing in the required supplementary information section of the financial statements is taken from the Town's annual recap sheet and includes those amounts which pertain to fiscal 2018 adjusted for any special Town meeting votes applicable to fiscal 2018 and reserve fund transfers authorized by the Finance Committee.

The following reconciliation summarizes the differences between the budget basis and the Generally Accepted Accounting Principles (GAAP) basis for the year ended June 30, 2018.

	<u>Revenues</u>
As Reported Budget Basis	\$ 46,356,042
Adjustments:	
Sixty Day Accrual - Net	81,331
Earning Income of Stabilization Fund Reported in Statement of Revenues, Expenditures, and Changes in Fund Balances	(26,133)
State Contributions for Pensions Included in Intergovernmental	3,799,710
As Reported GAAP Statement	<u><u>\$ 50,210,950</u></u>

	<u>Expenditures</u>
As Reported Budget Basis	\$ 44,304,854
Adjustments:	
July 1, 2017 Encumbrances	3,706,585
June 30, 2018 Encumbrances	(3,175,004)
Prepaid Expenditures Recorded as Expense 2017 Budget	105,796
Payment on Refunded Bond	63,737
State Contributions for Pensions Included in Employee Benefits	3,799,710
As Reported GAAP Statement	<u><u>\$ 48,805,678</u></u>

III **Detailed Notes on All Funds**

i) Deposits

a.) Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town has a formal investment policy that addresses custodial credit risk. Key sections of the policy are detailed below:

- Bank accounts or Certificate of Deposit accounts (CD's) with no limit to the length of maturity from the date of purchase may be made for unlimited amounts if the depository institution is a member of the Depository Insurance Fund (DIF) or the Share Insurance Fund (SIF). These funds insure all deposits held at a member Massachusetts state chartered savings bank or co-operative bank respectively.
- Bank accounts, Certificate of Deposit accounts (CD's) and/or brokered CD's with no limit to the length of maturity from the date of purchase up to the FDIC coverage limits. All account balances in a single depository institution are considered in the aggregate to determine FDIC coverage limits.
- Bank accounts or Certificate of Deposit accounts (CD's) with no limit to the length of maturity from the date of purchase may be made for unlimited amounts if the deposit is fully collateralized by a third party agreement or securities owned by a depository institution that have been segregated from the day-to-day assets of the institution in order to provide collateralization.
- Uninsured or unsecured bank accounts or Certificate of Deposit accounts (CD's) with a final maturity no greater than one year from the date of purchase are allowed to be held by the Town subject to the following limitations:
 - The aggregate uninsured portion of deposits held at any one institution cannot exceed 5% of the institutions total deposits reflected on the bank's last filed FDIC Call Report.
 - No more than 10% of the Town's funds, applicable to this section, may be held in uninsured accounts.
 - The credit worthiness of the depository will be tracked by Treasurer utilizing the Veribanc rating report.

As of June 30, 2018, \$6,200,445 of the Town's bank balance of \$33,006,477 was exposed to credit risk as follows:

Uninsured and Uncollateralized \$ 6,200,445

ii) Investments

a.) As of June 30, 2018, the Town had the following investments and maturities.

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>			
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>5-10</u>
U. S. Government Obligations	\$ 5,514,440	\$ 1,236,473	\$ 3,056,409	\$ 1,221,558
Corporate Bonds	<u>1,510,088</u>	<u>352,806</u>	<u>988,729</u>	<u>168,553</u>
Total Debt Related Securities	<u>\$ 7,024,528</u>	<u>\$ 1,589,279</u>	<u>\$ 4,045,138</u>	<u>\$ 1,390,111</u>
Other Investments:				
Money Market Funds	\$ 210,789			
Mutual Funds	17,304,772			
Equities	3,422,787			
Mass. Municipal Depository Trust	<u>4,963,574</u>			
Total Other Investment	<u>25,901,922</u>			
Total Investments	<u>\$ 32,926,450</u>			

b.) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates is as follows:

- Short-term investments for funds covered in Section I are by statute limited to one year or less in maturity with all securities held to maturity.
- Longer term investments, other than trust funds under the direction of the Commissioners of Trust Funds, will be made for periods not longer than five years, maintaining an average maturity no greater than three years for the portfolio.

c.) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy relating to credit risk is as follows.

- Longer term investments in fixed income securities, other than trust funds under the direction of the Commissioners of Trust Funds, will be made principally for capital preservation and income potential. Corporate debt must be rated "A" or better by either S&P or Moody's rating services. If a security falls below the "A" rating, the security will be monitored by the Treasurer and advisor, if applicable. The security will be noted as an exception to policy if held in the portfolio. The Treasurer and/or advisor may sell the security if a further decline in value is expected.

d.) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's policy relating to concentration of credit risk is as follows:

- The Town will minimize any concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Specific investment amounts and/or issuer limitations are addressed in the policy.

e.) Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment or deposit. The Town's policy states that it will not invest in any instrument exposed to foreign currency risk.

Fair Value Measurement

Statement #72 of the Government Accounting Standards Board ("GASB") *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town has the ability to access.

Level 2 -Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Towns' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Town's own data.

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

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

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	
	Total	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Investment by Fair Value Level:				
U. S. Treasuries	\$ 5,514,440	\$ 5,514,440	\$ -	\$ -
Corporate Bonds	1,510,088	-	1,510,088	-
Money Market Mutual Funds	210,789	210,789	-	-
Mutual Funds	17,304,772	17,304,772	-	-
Common Stock	3,422,787	3,422,787	-	-
Total Assets in the Fair Value Hierarchy	27,962,876	26,452,788	1,510,088	-

Investments Not Subject to Fair Value Hierarchy reporting:

Massachusetts Municipal Depository Trust	4,963,574
Total Investments	\$ 32,926,450

The investments classified in Level 1 of the fair value hierarchy were valued using prices quoted in active markets for those securities.

B. Capital Assets

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

Governmental Activities:	Beginning			Ending
	Balance	Additions	Reductions	Balance
Land	\$ 11,869,885	\$ 1,273,758	\$ -	\$ 13,143,643
Work in Progress	3,892,906	8,922,195	-	12,815,101
Total Capital Assets not Being Depreciated	15,762,791	10,195,953	-	25,958,744
Assets Being Depreciated:				
Buildings	77,549,759	141,689	-	77,691,448
Improvements Other Than Buildings	1,203,243	-	-	1,203,243
Infrastructure	26,556,524	2,493,040	-	29,049,564
Equipment	4,383,438	292,733	(123,564)	4,552,607
Vehicles	5,531,653	290,631	(170,591)	5,651,693
Total Capital Assets Being Depreciated	115,224,617	3,218,093	(294,155)	118,148,555

B. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Less Accumulated Depreciation for:				
Buildings	(33,052,856)	(2,214,913)	-	(35,267,769)
Improvements Other Than Buildings	(195,302)	(69,687)	-	(264,989)
Infrastructure	(15,184,705)	(647,074)	-	(15,831,779)
Equipment	(2,803,573)	(244,209)	123,564	(2,924,218)
Vehicles	(3,638,455)	(392,153)	166,550	(3,864,058)
Total Accumulated Depreciation	<u>(54,874,891)</u>	<u>(3,568,036)</u>	<u>290,114</u>	<u>(58,152,813)</u>
Capital Assets Being Depreciated, Net	<u>60,349,726</u>	<u>(349,943)</u>	<u>(4,041)</u>	<u>59,995,742</u>
Governmental Activities Capital Assets, Net	<u>\$ 76,112,517</u>	<u>\$ 9,846,010</u>	<u>\$ (4,041)</u>	<u>\$ 85,954,486</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:

General Government	\$ 98,333
Public Safety	678,045
Education	1,952,071
Highways and Public Works	808,968
Human Services	6,800
Culture and Recreation	23,819
Total Governmental Activities Depreciation Expense	<u>\$ 3,568,036</u>

Business-Type Activities:

Electric Light

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
Land	\$ 1,312,676	\$ -	\$ -	\$ 1,312,676
Construction in Progress	2,020,952	-	(2,020,952)	-
Total Capital Assets not Being Depreciated	<u>3,333,628</u>	<u>-</u>	<u>(2,020,952)</u>	<u>1,312,676</u>

Assets Being Depreciated:

Other Depreciable Assets	34,320,371	5,253,391	(341,624)	39,232,138
Total Capital Assets Being Depreciated	<u>34,320,371</u>	<u>5,253,391</u>	<u>(341,624)</u>	<u>39,232,138</u>

Less Accumulated Depreciation for:

Other Depreciable Assets	(15,529,607)	(1,029,612)	319,739	(16,239,480)
Total Accumulated Depreciation	<u>(15,529,607)</u>	<u>(1,029,612)</u>	<u>319,739</u>	<u>(16,239,480)</u>

Capital Assets Being Depreciated, Net
Electric Light Capital Assets, Net

18,790,764	4,223,779	(21,885)	22,992,658
<u>\$ 22,124,392</u>	<u>\$ 4,223,779</u>	<u>\$ (2,042,837)</u>	<u>\$ 24,305,334</u>

B. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<i>Water</i>				
Land	\$ 934,228	\$ -	\$ -	\$ 934,228
Construction in Progress	850,308	-	(850,308)	-
Total Capital Assets not Being Depreciated	<u>1,784,536</u>	<u>-</u>	<u>(850,308)</u>	<u>934,228</u>
Other Depreciable Assets	19,314,615	1,566,293	-	20,880,908
Total Capital Assets Being Depreciated	<u>19,314,615</u>	<u>1,566,293</u>	<u>-</u>	<u>20,880,908</u>
Less Accumulated Depreciation for:				
Other Depreciable Assets	(7,868,215)	(579,440)	-	(8,447,655)
Total Accumulated Depreciation	<u>(7,868,215)</u>	<u>(579,440)</u>	<u>-</u>	<u>(8,447,655)</u>
Capital Assets Being Depreciated, Net	11,446,400	986,853	-	12,433,253
Water Capital Assets, Net	<u>\$ 13,230,936</u>	<u>\$ 986,853</u>	<u>\$ (850,308)</u>	<u>\$ 13,367,481</u>

Depreciation expense was charged to the Business Type Activities as follows:

Electric Light	\$ 1,029,612
Water	579,440
Total Business-Type Activities Depreciation Expense	<u>\$ 1,609,052</u>

C. Accounts Receivable

The accounts receivable on the balance sheets are listed below by levy.

Governmental Activities

Current:

Property Taxes Receivable:

Real Estate Taxes		
2018	\$ 297,097	
2017	5,958	
2016	<u>106</u>	
Total Real Estate Taxes		<u>\$ 303,161</u>

C. Accounts Receivable (Continued)

Personal Property Taxes

2018	13,498
2017	4,929
2016	10,297
2014	1,402
2013	11,229
Total Personal Property Taxes	<u>41,355</u>

Community Preservation Act Taxes

2018	2,657
2017	(361)
Total Community Preservation Act Taxes	<u>2,296</u>

Total Property Taxes \$ 346,812

Property Taxes - Clause 41A \$ 4,016

Tax Liens \$ 256,842

Excise Taxes Receivable:

Motor Vehicle Excise Tax

2018	\$ 149,051
2017	15,979
2016	7,729
2015	8,980
2014	5,181
2013	3,062
2012	1,735
2011	2,480
2010	2,356
2009	2,532
2008	645
2007 & Prior	<u>128</u>

Total Excise Tax \$ 199,858

User Charge - Ambulance \$ 89,682

Intergovernmental:

Due from Commonwealth of Massachusetts

School Building Projects	\$ 207,863
Chapter 90 - Highway Grant	<u>397,288</u>
Total Current Intergovernmental	<u>\$ 605,151</u>

Noncurrent

Intergovernmental:

Due from Commonwealth of Massachusetts

School Building Projects \$ 207,863

C. Accounts Receivable (Continued)

Special Assessments - Not Yet Due:

Street Assessments	\$ 21,252
Water Betterments	6,134
Septic Betterments	<u>198,437</u>
Total Special Assessments - Not Yet Due	<u>\$ 225,823</u>

Business Type Activities

User Charges:

Accrued Unbilled Water	\$ 279,791
Electric Light	3,768,313
Water Rates	<u>211,608</u>
Total User Charges	<u>\$ 4,259,712</u>

Merchandising and Jobbing:

Water	\$ 4,404
Total Merchandising and Jobbing Charges	<u>\$ 4,404</u>

Intergovernmental:

Due from Intergovernmental (Hurricane)	<u>\$ 1,193,224</u>
--	---------------------

Other:

Electric Light	\$ 34,688
Total Other	<u>\$ 34,688</u>

D. Debt

i Short Term Debt

The activity related to the Town's short term debt is as follows:

Purpose	Balance Beginning of Year	Issued	Redeemed	Balance End of Year	Net Interest Rate	Maturity Date
<u>Governmental Activities:</u>						
<u>Bond Anticipation Notes</u>						
Roadway Improvements	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	1.25%	
Alumni Field	2,536,000		2,536,000		-	
Fire Station	<u>5,959,000</u>		<u>5,959,000</u>		-	
Total Notes Payable Governmental Activities	<u>\$ 9,495,000</u>	<u>\$ 1,000,000</u>	<u>\$ 9,495,000</u>	<u>\$ 1,000,000</u>		

Business Type Activities:

<u>Bond Anticipation Notes</u>	
Route 119 Project	<u>\$ 870,000</u> <u>\$ -</u> <u>\$ 870,000</u> <u>\$ -</u>

D. Debt (Continued)

ii Long Term Debt

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 20 years. General obligation bonds outstanding at June 30, 2018 are as follows:

(a) General Obligation Bonds Outstanding at June 30, 2018

Governmental Activities: General Obligation Bond	Fiscal Year Sale Date	Original Borrowing	Interest Rates to Maturity	Fiscal Year Final Maturity	Net			Balance June 30, 2018
					July 1, 2017	Issued	Redeemed	
Water Mains - Matawanakee Betterment	1999	450,000	4.41%	2019	\$ 40,000	\$ -	\$ 20,000	\$ 20,000
Septic Loan Program #2	2003	189,474	4.83%	2021	43,480	-	10,353	33,127
Land Acquisition - Prouty	Refunded	323,955	4.01%	2024	175,000	-	175,000	-
Land Acquisition - Hartwell	Refunded	575,000	3.98%	2023	180,000	-	180,000	-
Sewer - WWTS	Refunded	1,760,000	4.03%	2025	680,000	-	680,000	-
School Project - Shaker Lane - Refunding	2007	2,352,000	3.72%	2019	493,268	-	248,267	245,001
Middle School - Low Int Ln	2008	2,142,297	2.00%	2029	1,285,377	-	107,115	1,178,262
Middle School	Refunded	7,554,000	3.96%	2027	3,895,000	-	3,895,000	-
Land Acquisition - Lucy's Land	2010	150,000	3.33%	2029	80,000	-	10,000	70,000
Building Remodeling - Houghton Roof	2010	195,000	3.48%	2029	120,000	-	10,000	110,000
Architectural Services Police Station Design	2010	300,000	3.38%	2028	165,000	-	15,000	150,000
Police Station Construction	2010	6,023,303	3.49%	2029	3,780,000	-	315,000	3,465,000
Architectural Services - RSS Design	2011	232,800	3.55%	2031	140,000	-	10,000	130,000
Land Acquisition - Cobbs Land -								
Community Preservation Act	2011	323,955	3.56%	2031	210,000	-	15,000	195,000
Water Mains - Goldsmith St	2011	1,094,400	3.58%	2031	760,000	-	55,000	705,000
School Project - RSS Construction	2011	5,428,845	3.59%	2031	3,780,000	-	270,000	3,510,000
Police Land-Refunding	2013	228,000	1.21%	2022	120,000	-	25,000	95,000
Land Acq - Morrison-Refunding	2013	724,000	0.87%	2020	280,000	-	95,000	185,000
High School-Refunding	2013	3,883,000	1.14%	2023	1,655,000	-	410,000	1,245,000
Septic Loan Program	2017	282,674	2.00%	2037	282,674	-	11,434	271,240
Athletic Facility	2018	2,355,000	2.00% - 4.00%	2028	-	2,355,000	-	2,355,000
Land Acquisition -	2018	300,000	2.00% - 4.00%	2028	-	300,000	-	300,000
Sewer (WW Treatment Plant)	Refunding	566,000	2.00% - 4.00%	2025	-	566,000	-	566,000
Land Acquisition - Prouty	Refunding	144,000	2.00% - 4.00%	2024	-	144,000	-	144,000
Land Acquisition - Hartwell	Refunding	145,000	2.00% - 4.00%	2023	-	145,000	-	145,000
Building Construction School	Refunding	3,235,000	2.00% - 4.00%	2027	-	3,235,000	-	3,235,000
Building Construction - Fire Station	2018	5,650,100	3.00% - 5.00%	2038	-	5,650,100	-	5,650,100
Total Governmental Activities					\$ 18,164,799	\$ 12,395,100	\$ 6,557,169	\$ 24,002,730

D. Debt (Continued)

<u>Business Type Activities:</u>		Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Balance		Balance	
General Obligation Bond	Refunded					July 1, 2017	Issued	Redeemed	June 30, 2018
Electric Light Department - Refunding		2007	1,248,000	3.72%	2018	\$ 261,733	\$ -	\$ 131,733	\$ 130,000
Land Acquisition - Nashoba Rd - Water	Refunded	2005	350,000	3.98%	2023	110,000	-	110,000	-
Water - Ultrafiltration #2 - Refunding		2007	414,225	3.49%	2017	-	-	-	-
Water Mains - Capital		2010	191,088	3.49%	2029	120,000	-	10,000	110,000
Water Equipment - Ozone Generator		2010	86,099	1.82%	2018	5,000	-	5,000	-
Water Tank-Oak Hill Refunding		2013	652,000	1.31%	2023	360,000	-	65,000	295,000
Water Capital Improvement		2015	274,200	3.00%-3.25%	2035	245,000	-	15,000	230,000
Well Redevelopment		2015	3,720,000	3.00%-3.25%	2035	3,340,000	-	190,000	3,150,000
Water Cobbs Well		2015	178,800	3.00%	2032	150,000	-	10,000	140,000
Water Capital Improvement Well #2		2015	118,300	3.00%	2027	100,000	-	10,000	90,000
Well #2 Design		2015	194,700	3.00%-3.25%	2034	170,000	-	10,000	160,000
Land Acquisition - Nashoba Rd - Water	Refunding	2018	87,000	2.00% - 4.00%	2023	-	87,000	-	87,000
Water Mains - Capital		2018	803,900	3.00% - 5.00%	2038	-	803,900	-	803,900
					Total Business Type Activities	\$ 4,861,733	\$ 890,900	\$ 556,733	\$ 5,195,900

(b) Summary of Debt Service Requirements to Maturity

Fiscal Year Ended	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Primary	Government
2018	\$ -	\$ -	\$ 130,000	\$ 6,175	\$ 130,000	\$ 6,175
2019	2,634,251	844,028	370,900	154,153	3,005,151	998,181
2020	2,305,440	788,681	360,000	144,682	2,665,440	933,363
2021	2,160,699	712,648	360,000	134,483	2,520,699	847,131
2022	2,084,576	631,711	350,000	123,182	2,434,576	754,893
2023	2,014,847	553,045	350,000	112,183	2,364,847	665,228
2024-2028	8,383,510	1,699,785	1,390,000	413,812	9,773,510	2,113,597
2029-2033	2,952,756	460,611	1,285,000	197,381	4,237,756	657,992
2034-2038	<u>1,466,651</u>	<u>139,168</u>	<u>600,000</u>	<u>32,238</u>	<u>2,066,651</u>	<u>171,406</u>
Total	<u>\$24,002,730</u>	<u>\$5,829,677</u>	<u>\$5,195,900</u>	<u>\$1,318,289</u>	<u>\$29,198,630</u>	<u>\$7,147,966</u>

D. Debt (Continued)

(c) Bond Authorizations

Long-term debt authorizations voted by the Town which have not been issued or rescinded as of June 30, 2018, are as follows:

11/14/12	Road Program	\$500,000
05/05/14	Roadway Improvement	500,000
05/04/15	Roadway Improvement	1,000,000
11/16/16	Alumni Field	1,481,000
11/16/16	Fire Station	349,900
05/01/17	Williams Road	300,000
	Total	<u>\$4,130,900</u>

iii Refunding of Long Term Debt

On December 15, 2007, the Town issued \$4,670,000 of General Obligation Refunding Bonds with an average interest rate of 3.63% to 5.00% to advance refund \$4,420,000 of outstanding debt with interest rates from 4.80% to 7.00%. The net proceeds (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased. The refunded debt will be paid at the end of fiscal year 2019.

<u>Fiscal Year</u>	New	Old	
	Bonds	Bonds	
	Principal	Principal	Annual
	<u>& Interest</u>	<u>& Interest</u>	<u>Savings</u>
2019	<u>\$250,818</u>	<u>\$392,980</u>	<u>\$142,162</u>

The net present value benefit as a result of the refunding issue is \$178,123.

On December 7, 2012, the Town of Littleton issued general obligation bonds in the amount of \$5,437,000 with an average interest rate of 1.43%, and utilized those proceeds along with \$8,169,365 from the Massachusetts School Building Authority to advance refund \$13,485,000 of debt that had an average interest rate of 4.91%. After paying issuance costs and other costs, the net proceeds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are matured in January of 2023. The advance refunding met the requirements of an in-substance debt defeasance and the refunded term bonds were removed from the town's financial statements.

The net present value benefit as a result of the refunding issue is \$2,576,302. The Town shared in the savings with the Massachusetts School Building Authority.

<u>Fiscal Year</u>	New	Old	
	Bonds	Bonds	
	Principal	Principal	
	<u>& Interest</u>	<u>& Interest</u>	<u>Change</u>
2019	<u>\$574,912</u>	<u>\$1,705,376</u>	<u>\$1,130,464</u>
2020	<u>503,100</u>	<u>1,636,376</u>	<u>1,133,276</u>
2021	<u>350,900</u>	<u>1,467,376</u>	<u>1,116,476</u>
2022	<u>279,200</u>	<u>1,403,376</u>	<u>1,124,176</u>
2023	<u>193,800</u>	<u>1,309,375</u>	<u>1,115,575</u>
	<u>\$1,901,912</u>	<u>\$7,521,879</u>	<u>\$5,619,967</u>

A majority of the change (\$8,169,365) is related to the Massachusetts School Building Authority paying off their share of the principal of the refunded debt.

D. Debt (Continued)

iv Changes in Long Term Debt

Changes in the government's long-term liabilities for the year ended June 30, 2018 are as follows:

	<u>Balance</u>			<u>Balance</u>	
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>	<u>Current Portion</u>
<u>Governmental Activities</u>					
Bonds Payable	\$ 18,164,799	\$ 12,395,100	\$ (6,557,169)	\$ 24,002,730	\$ 2,634,251
Add: Unamortized Premium	<u>302,018</u>	<u>492,383</u>	<u>(50,337)</u>	<u>744,064</u>	<u>110,342</u>
Total Bonds Payable	<u>18,466,817</u>	<u>12,887,483</u>	<u>(6,607,506)</u>	<u>24,746,794</u>	<u>2,744,593</u>
Compensated Absences	351,502	226,846	(140,601)	437,747	175,099
Net Pension Liability	15,157,256	650,810	(2,800,381)	13,007,685	-
Net Other Post Employment Benefits	<u>15,856,805</u>	<u>1,295,705</u>	<u>(1,382,938)</u>	<u>15,769,572</u>	<u>-</u>
Total Governmental Activities	<u>\$ 49,832,380</u>	<u>\$ 15,060,844</u>	<u>\$ (10,931,426)</u>	<u>\$ 53,961,798</u>	<u>\$ 2,919,692</u>
<u>Business Type Activities</u>					
Bonds Payable	\$ 4,861,733	\$ 890,900	\$ (556,733)	\$ 5,195,900	\$ 500,900
Plus: Premium	<u>108,941</u>	<u>43,451</u>	<u>(6,053)</u>	<u>146,339</u>	<u>14,742</u>
Total Bonds Payable	<u>4,970,674</u>	<u>934,351</u>	<u>(562,786)</u>	<u>5,342,239</u>	<u>515,642</u>
Compensated Absences	355,733	98,040	(120,315)	333,458	79,155
Capital Leases Payable	-	-	-	-	-
Net Pension Liability	8,801,858	377,927	(754,681)	8,425,104	-
Net Other Post Employment Benefits Obligation	52,369	278,305	(539,069)	(208,395)	-
Net Other Post Employment Benefits Liability	<u>857,546</u>	<u>4,707</u>	<u>(25,868)</u>	<u>836,385</u>	<u>-</u>
Total Business Type Activities	<u>\$ 15,038,180</u>	<u>\$ 1,693,330</u>	<u>\$ (2,002,719)</u>	<u>\$ 14,728,791</u>	<u>\$ 594,797</u>

E. Interfund Transfers

The accompanying financial statements reflect transactions between the various funds. These transactions represent operating transfers and do not constitute revenues or expenditures of the funds. Operating transfers made during the year were as follows:

Fund Financial Statements

	<u>Transfers</u>	<u>Transfers</u>	<u>Total</u>
	<u>In</u>	<u>(Out)</u>	
General Fund	\$ 1,105,057	\$ (2,106,425)	\$ (1,001,368)
Alumni Field Renovation	500,000	-	500,000
Non-Major Governmental	1,789,394	(1,459,695)	329,699
Enterprise - Business Type	171,669	-	171,669
Total	<u>\$ 3,566,120</u>	<u>\$ (3,566,120)</u>	<u>\$ -</u>

IV Other Information

A. General Information about the Pension Plan

Plan Description

The Town provides pension benefits to eligible employees by contributing to the Middlesex County Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex County Retirement System. The System is administered by a

five member board on behalf of all eligible current employees and retirees. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (M.G.L.). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex County Retirement System issues a stand-alone financial report that is available to the public at: <https://middlesexretirement.org/wp-content/uploads/2018/08/FINAL-MCRS-Audit-Report-of-Financial-Statements-12-31-2017.pdf> or by writing to the Middlesex County Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

Benefits Provided

The Middlesex County Retirement System provides retirement, disability and death benefits as detailed below:

Retirement Benefits

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3.)

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the table below based on the age of the member at retirement.

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
<u>Hired on or before April 1 2012</u>			
2.50%	65+	60+	55+
2.40%	64	59	54
2.30%	63	58	53
2.20%	62	57	52
2.10%	61	56	51
2.00%	60	55	50
1.90%	59	N/A	49
1.80%	58	N/A	48
1.70%	57	N/A	47
1.60%	56	N/A	46
1.50%	55	N/A	45

For employees hired on April 2, 2012 or later, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the tables below based on the age and years of creditable service of the member at retirement:

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
	<u>Hired after April 1 2012</u>		
2.50%	67+	62+	57+
2.35%	66	61	56
2.20%	65	60	55
2.05%	64	59	54
1.90%	63	58	53
1.75%	62	57	52
1.60%	61	56	51
1.45%	60	55	50

For all employees, the maximum annual amount of the retirement allowance is 80 percent of the member's final average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80 percent maximum.

Retirement Benefits - Superannuation

Members of Group 1, 2 or 4 hired prior to April 2, 2012 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

Members hired prior to April 2, 2012 who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System).

Members of Group 1 hired April 2, 2012 or later may retire upon the attainment of age 60. Members of Group 2 or 4 hired April 2, 2012 or later may retire upon the attainment of age 55. Members of Group 4 may retire upon attainment of age 50 with ten years of creditable service.

Members hired April 2, 2012 or later who terminate before age 55 (60 for members of Group 1) with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (60 for members of Group 1) provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System.

Ordinary Disability Benefits

A member who is unable to perform his or her job due to a non-occupational disability will receive a retirement allowance if he or she has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be determined as if the member retired for superannuation at age 55 (age 60 for Group 1 members hired on or after April 2, 2012), based on the amount of creditable service at the date of disability. For veterans, there is a minimum benefit of 50 percent of the member's most recent year's pay plus an annuity based on his or her own contributions.

Accidental Disability Benefit

For a job-connected disability, the benefit is 72 percent of the member's most recent annual pay plus an annuity based on his or her own contributions, plus additional amounts for surviving children. Benefits are capped at 75 percent of annual rate of regular compensation for employees who become members after January 1, 1988.

Death Benefits

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of death, a spouse's benefit will be paid equal to the amount the employee would have received under Option C. The surviving spouse of a member who dies with two or more years of credited service has the option of a refund of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$500 per month, and there are additional amounts for surviving children.

If an employee's death is job-connected, the spouse will receive 72 percent of the member's most recent annual pay, in addition to a refund of the member's accumulated deductions, plus additional amounts for surviving children. However, in accordance with Section 100 of Chapter 32, the surviving spouse of a police officer, firefighter or corrections officer who is killed in the line of duty will be eligible to receive an annual benefit equal to the maximum salary held by the member at the time of death. Upon the death of a job-connected disability retiree who retired prior to November 7, 1996 and could not elect an Option C benefit, a surviving spouse will receive an allowance of \$9,000 per year if the member dies for a reason unrelated to cause of disability.

Contributions

Active members of the Middlesex County Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirement of plan members is determined by M.G.L. Chapter 32. The contribution requirements are established by and may be amended by the Middlesex County Retirement System with the approval of the Public Employee Retirement Administration Commission.

The Town's contractually required contribution rate for the year ended June 30, 2018 was 30.42% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$3,554,064 for the year ending June 30, 2018.

b. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Town reported a liability of \$21,432,789 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Accordingly, update procedures were utilized to roll forward the liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2017, the Town's proportion was 1.510218%.

For the year ended June 30, 2018, the Town recognized pension expense of \$2,832,568. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 72,277	\$ 109,453
Change in assumptions	2,048,718	-
Net differences between projected and actual earnings on pension plan investments	-	582,154
Changes in proportion and differences between contributions and proportionate share of contributions	2,558,409	1,843,015
Contributions subsequent to the measurement date	-	-
Total	\$ 4,679,404	\$ 2,534,622

Contributions made subsequent to the measurement date (deferred outflows of resources) are recognized as a reduction of the net pension liability in the next fiscal year. The Town did not have any deferred outflows of resources for contributions made subsequent to the measurement date. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2019	\$ 913,814
2020	898,493
2021	458,993
2022	(126,518)
Total	\$ 2,144,782

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2017:

Valuation date	January 1, 2018
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Prior year's total contribution increased by 6.5% for fiscal year 2018 through fiscal year 2024, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI Liability amortized in level payments.
Remaining Amortization Period	As of July 1, 2018, 1 year remaining for the 2002 ERI liability; 2 years remaining for the 2003 ERI liability; 4 years remaining for the 2010 ERI liability and 17 years for the remaining unfunded liability.
Asset Valuation Method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period. Asset value is adjusted, as necessary, to be within 20% of market value.
Investment Rate of Return/Discount Rate	7.5% net of pension plan investment expense, including inflation (7.75% in previous valuation)
Inflation Rate	3.25% (3.5% in previous valuation)
Projected Salary Increases	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4
Cost of Living Adjustments	3.00% of first \$14,000
Rates of Retirement	Varies based upon age for general employees, police and fire employees.
Rates of Disability	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).

Mortality Rates were based on the tables noted below:

Healthy:

Pre-Retirement

The RP-2014 Blue Collar Mortality Table projected generationally with Scale MP-2017 (previously RP-2000 Employee Mortality Table projected generationally from 2009 with Scale BB2D)

Healthy Retiree

The RP-2014 Blue Collar Healthy Anuitant Mortality Table projected generationally with Scale MP-2017 (previously RP-2000 Health Annuitant Mortality Table projected generationally from 2009 with Scale BB2D)

Disabled

The RP-2014 Blue Collar Health Anuitant Mortality Table set forward one year and projected generationally with Scale MP-2017 (previously RP-2000 Health Annuitant Mortality Table projected generationally from 2015 using Scale BB2D)

In performing the actuarial valuation, various assumptions are made regarding mortality, retirement, disability and withdrawal rates as well as salary increases and investment returns. A comparison of the results of the current valuation and the prior valuation is made to determine how closely actual experience relates to expected. The mortality tables listed in the assumption table were determined to contain provisions appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience of the plan.

Changes in Assumptions

The following assumption changes were reflected in the January 1, 2018 actuarial valuation:

- The mortality tables for healthy participants were changed from the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB2D from 2009 to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables projected generationally using Scale MP-2017.
- The mortality tables for disabled participants were changed from the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015 to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward 1 year projected generationally using Scale MP-2017.
- The long-term salary increase assumption was lowered by 0.25%, to 4.00% for Group 1 participants, 4.25% for Group 2 participants, and 4.50% for Group 4 participants.
- The investment rate of return assumption was reduced from 7.75% to 7.50%. The inflation rate was reduced to 3.25% from the previous rate of 3.50%.

Changes in Plan Provisions

There were not any changes in the Plan provisions.

Investment Policy

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

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

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity	17.50%	6.15%
International Developed Markets Equity	15.50%	7.11%
International Emerging Markets Equity	6.00%	9.41%
Core Fixed Income	12.00%	1.68%
High-Yield Fixed Income	10.00%	4.13%
Real Estate	10.00%	4.90%
Commodities	4.00%	4.71%
Hedge Funds, GTAA, Risk Parity	13.00%	3.84%
Private Equity	12.00%	10.28%
	<hr/>	
	100.00%	

Rate of Return

The annual money-weighted rate of return on pension plan investments for December 31, 2017 (net of investment expenses) was 17.25%. (7.35% for December 31, 2016). The money-weighted rate of return expresses investment performance, net of pension plan investment expense, is adjusted for the changing amounts actually invested, measured monthly.

Discount Rate

The discount rate used to measure the total pension liability was 7.5% (7.75% in the previous valuation). The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Middlesex County Retirement System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Middlesex County Retirement System, calculated using the discount rate of 7.5%, as well as what the Middlesex County Retirement System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1%	Discount	1%
Decrease	Rate	Increase	
<u>(6.5%)</u>	<u>(7.5%)</u>	<u>(8.5%)</u>	
Town's proportionate share of the Net Pension Liability	\$ 26,305,162	\$ 21,432,789	\$ 17,324,720

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Middlesex County Retirement System financial report. The System issues a stand-alone financial report is available that can be obtained through the System's website at: <https://middlesexretirement.org/wp-content/uploads/2018/08/FINAL-MCRS-Audit-Report-of-Financial-Statements-12-31-2017.pdf>

c. Massachusetts Teachers Retirement System

Special Funding Situation

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. The MTRS covers certified teachers and certain school administrators. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a "special funding situation" according to GASB Statement # 68 *Accounting and Financial Reporting for Pensions*. Since the Town does not contribute to the MTRS it does not have a pension liability to report.

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

For the fiscal year ended June 30, 2018, the Town's proportionate share of the collective pension expense was \$3,799,710. The Town's proportionate share was based on its percentage share of covered payroll in the MTRS. Accordingly, the accompanying financial statements include the required adjustments, which have increased both Intergovernmental revenues and the Education expenditures by the same amount in the fund financial statements and the education expense and program revenue in the government wide financial statements. The net effect of this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2018, or fund balance/net position at June 30, 2018.

The Commonwealth's proportionate share of net pension liability associated with the Town is \$36,405,133. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. The Commonwealth's report is available on the internet at: <http://www.macomproller.info/comptroller/docs/reports-audits/cafr/cafr-fy17.pdf>

Benefits provided

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

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

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

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

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984-6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation
1979 to present	An additional 2% of regular compensation over \$30,000

In addition, members who join the system on or after April 2, 2012 will have their withholding rate reduced to 8% after achieving 30 years of creditable service.

Actuarial Assumptions

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

1. (a) 7.5% investment rate of return (same as the previous valuation), (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct). The previous valuation used Pre-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year 2014 - gender distinct).
 - Post-retirement - reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct). The previous valuation used Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 (gender distinct).
 - Disability – assumed to be in accordance RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 set forward 4 years.

4. An Experience Study was performed as follows:

- Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2017 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long- Term Expected Real Rate of Return</u>
Global Equity	40.00%	5.00%
Portfolio Completion Strategies	13.00%	3.60%
Core fixed income	12.00%	11.00%
Private Equity	11.00%	6.60%
Value Added Fixed Income	10.00%	3.80%
Real Estate	10.00%	3.60%
Timber/Natural Resources	4.00%	3.20%
Hedge Funds	0.00%	3.60%
	<u>100.00%</u>	

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the Commonwealth of Massachusetts financial report. The financial report is available on the internet at: <http://www.macomproller.info/comptroller/docs/reports-audits/cafr/cafr-fy17.pdf>

A. Other Post Employment Benefits (OPEB) Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement #74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (which became effective for the June 30, 2017 reporting period) and Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (effective for the June 30, 2018 reporting period). GASB Statements #74 and #75 relate to reporting requirements of the Town's OPEB Trust fund and the Town's OPEB liability. The net other post-employment benefits **liability** reported in the Town's statement of net position under the new standards differs from the net other post-employment benefits **obligation** amount previously reported (in accordance with the prior standards guided by GASB Statement #45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*). Under GASB Statement #45, the reporting of the Town's net other post-employment benefits liability was "phased in" over a thirty-year period. The new standards eliminate the thirty-year phase in period and require reporting the entire other post-employment benefits liability. **Since the Electric Light Department is reported on a December 31, 2017 year end, the Electric Light Department's statements are reported under the prior standards (GASB 45). As a result, the phase in of the liability still applies to the Electric Light Department. The new standards (GASB 75) for reporting the net OPEB liability of the Electric Light Department will become effective for the December 31, 2018 reporting period.**

The Electric Light Department's Other Post Employment Benefits Trust fund is separately stated from the Town's Trust fund (in the fiduciary fund statements) because the Electric Light Department is established under a separate section of Massachusetts General Laws. In addition, the Electric Light Department has its own actuarial valuation and the accompanying notes to the financial statements and required supplementary information display separate disclosures for the Electric Light Department.

Summary of Significant Accounting Policies (OPEB)

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

General Information About the Plan

Plan Description

Plan Administration: The Town administers all activity related to the other post-employment benefits plan - a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the Town. Management of the plan is vested in the Board of Selectmen and the Town's Treasurer. The Town's Board of Selectmen has the authority to establish and amend benefit terms.

Town - Not Including Electric Light Department

Plan Membership: At June 30, 2018, the plans membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	145
Inactive plan members entitled to but not yet receiving benefit payments	0
Active Plan Members	<u>347</u>
Total	492

Electric Light Department

Plan Membership: At December 31, 2017, the plans membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	29
Inactive plan members entitled to but not yet receiving benefit payments	0
Active Plan Members	<u>25</u>
Total	<u>54</u>

Benefits Provided: The Town provides retired employees and their spouses and dependents with payments for a portion of their health care, dental care and life insurance benefits. Benefits are provided through a third-party insurer.

Contributions: The Town pays premiums based on years of service and date of hire. For employees hired prior to July 1, 2010, the Town will contribute 70% of the premium. The retiree or surviving spouse will be responsible for the remaining 30%. For employees hired after July 1, 2010, the Town will contribute 50% of the premium. The retiree or surviving spouse will be responsible for the remaining 50%. Benefits paid by the Town are on a pay-as-you-go basis. However, contributions are made to an OPEB Trust. The contribution requirements of plan members and the Town are established by contractual negotiations and may be amended from time to time. For the year ended June 30, 2018, the Town's average contribution rate was 12.05% (Electric Light Department 24.08%) of covered payroll.

Net OPEB Liability (Town - Not Including Electric Light Department)

The Town's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Total OPEB Liability	\$ 25,609,877
Plan Fiduciary Net Position	(9,003,920)
Net OPEB Liability	<u><u>\$16,605,957</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability	35.16%
---	--------

The components of the Net OPEB liability of the Department at December 31, 2017 were as follows:

Total OPEB Liability	\$ 4,010,312
Plan Fiduciary Net Position	(2,253,322)
Net OPEB Liability	<u><u>\$1,756,990</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability	56.19%
---	--------

Actuarial assumptions. The Town's total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Town (Not Including Electric Light Department)

Inflation	3%
Investment Rate of Return	7.50%
Health Cost Trend Rates	8.0% for 2016, decreasing by 1% per year to an ultimate rate of 5%

Mortality Rates were based on the tables noted below:

Healthy:

Pre-Retirement - General and Public Safety Employees:	RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB.
Post-Retirement - General and Public Safety Employees:	RP-2000 Healthy Annuitant Mortality Table, base year 2014, projected with generational mortality improvement using scale BB.
Pre-Retirement - Teachers:	RP-2014 Employees Mortality Table, base year 2014, projected with generational mortality improvement using scale BB.
Post-Retirement - Teachers:	RP-2014 Healthy Annuitant Mortality Table, base year 2014, projected with generational mortality improvement using scale BB.

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

Electric Light Department

Inflation	2.60%
Investment Rate of Return	7.5%, net of investment expense, including inflation
Discount Rate	7.5% per year
Health Cost Trend Rates	7.0% decreasing by 0.5% per year to an ultimate rate of 5% in year seven

Mortality Rates were based on the tables noted below:

Pre-Retirement Mortality - General and Public Safety Employees: RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality using Scale BB.

Post-Retirement Mortality - General and Public Safety Employees: RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality using Scale BB.

Changes in Assumption:

The actuarial cost method was changed from projected unit credit method to the entry age normal method for the GASB Statement #74 amounts reported.

Investments

Investment Policy: The plan's policy in regard to the allocation of invested assets is approved and may be amended by the Treasurer with the approval of the Selectmen. The policy pursues an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

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

in the target asset allocation as of June 30, 2018 (December 31, 2017 for the Electric Light Department), are summarized in the table below:

<u><i>Town - Not Including Electric Light Department (GASB 74 & 75)</i></u>	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity	35%	6.11%
International Equity	20%	2.78%
Domestic Bond	20%	3.82%
Alternative	20%	3.67%
International Bond	5%	3.94%
	<u><u>100.00%</u></u>	
<u><i>Electric Light Department (GASB 74)</i></u>	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity	35%	5.05%
Domestic Bond	20%	2.47%
International Equity	20%	5.80%
International Bond	5%	2.40%
Other	20%	4.80%
Total	<u><u>100.00%</u></u>	

Concentrations

The OPEB plans did not hold investments in any one organization that represent 5% or more of the OPEB plan's fiduciary net position.

Rate of Return

Town - Not Including Electric Light Department

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 5.90%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Electric Light Department

For the year ended December 31, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 12.89%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate:

Town - Not Including Electric Light Department

The discount rate used to measure the total OPEB liability was 7.5% (7.5% in the prior valuation). The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Electric Light Department

The discount rate used to measure the total OPEB liability was 7.5% (same as the prior valuation). The projection of cash flows used to determine the discount rate assumed that Department contributions will be made at rates equal to the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Plan		Net OPEB Liability (a) - (b)
	Total OPEB Liability (a)	Fiduciary Net Position (b)	
<u>Town (Not Including Electric Light Department)</u>			
Balances 6/30/17	\$ 23,823,488	\$ 7,109,137	\$ 16,714,351
Service cost	887,514	-	887,514
Interest	1,818,827	-	1,818,827
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions - employer	-	2,352,890	(2,352,890)
Net investment income	-	461,845	(461,845)
Benefit payments	(919,952)	(919,952)	-
Net changes	1,786,389	1,894,783	(108,394)
Balances 6/30/18	\$ 25,609,877	\$ 9,003,920	\$ 16,605,957

Changes in assumption

All of the assumptions were the same as used in the previous valuation.

Benefit changes

The Patient Protection and Affordable Care Act (PPACA) applies a 40% excise tax, commonly referred to as the "Cadillac Tax", to the cost of plan benefits in excess of statutory thresholds beginning in 2022. Previously, the tax was effective beginning in 2020.

Sensitivity of the net OPEB liability to changes in the discount rate: 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 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease <u>6.50%</u>	Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Net OPEB Liability (asset)	\$20,350,080	\$16,605,957	\$13,556,111

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: 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 1 percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (7% decreasing to 4%)	Healthcare Cost Trend (8% decreasing to 5%)	1% Increase (9% decreasing to 6%)
Net OPEB Liability (asset)	\$12,651,495	\$16,605,957	\$21,810,994

	Increase (Decrease)		
	Plan		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<u>Electric Light Department</u>			
Balances 6/30/17	\$ 3,940,262	\$ 1,767,767	\$ 2,172,495
Service cost	69,247	-	69,247
Interest	289,872	-	289,872
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions - employer	-	539,069	(539,069)
Net investment income	-	235,555	(235,555)
Benefit payments	(289,069)	(289,069)	-
Net changes	70,050	485,555	(415,505)
Balances 6/30/18	\$ 4,010,312	\$ 2,253,322	\$ 1,756,990

Changes in assumptions:

Benefit changes:

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the net OPEB liability of the Electric Light Department, as well as what the Electric Light Department's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease <u>6.50%</u>	Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Net OPEB Liability (asset)	\$2,268,506	\$1,756,990	\$1,370,660

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability of the Electric Light Department, as well as what the Electric Light Department's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Healthcare		
	1% Decrease (6.0% decreasing to 4.0%)	Cost Trend (7.0% decreasing to 5.0%)	1% Increase (8.0% decreasing to 6.0%)
Net OPEB Liability (asset)	\$1,262,891	\$1,756,990	\$2,425,748

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

For the year ended June 30, 2018, the Town recognized OPEB expense of \$2,144,436. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	- -	- -
Net differences between projected and actual earnings on OPEB plan investments	100,060	- -
	<u><u>\$ 100,060</u></u>	<u><u>\$ -</u></u>

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

Year ended June 30:	Amount
2019	\$ 25,015
2020	25,015
2021	25,015
2022	25,015
Total	<u><u>\$ 100,060</u></u>

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the accompanying financial statements.

Electric Light Department - Employer's Reporting (GASB Statement #45)

- a. **Annual OPEB Cost and OPEB Obligation.** The annual Other Postemployment Benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the Department, an amount that has been actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The

following table shows the components of the Department's annual OPEB cost for the fiscal year ended December 31, 2017, the amount actually contributed to the plan, and the Department's Net OPEB Obligation (NOO):

Annual Required Contribution (ARC)	\$279,074
Interest on Net OPEB Obligation	3,928
Adjustment to Annual Required Contribution	(4,697)
Annual OPEB Cost (Expense)	<u>278,305</u>
Contributions Made:	
Expected Benefit Payments	289,069
Contributions to OPEB Trust	<u>250,000</u>
Total Contributions	<u>539,069</u>
Increase (Decrease) in Net OPEB Obligation	(260,764)
Net OPEB Obligation (NOO) - Beginning of Year	<u>52,369</u>
Net OPEB Obligation (NOO) - End of Year	<u><u>(\$208,395)</u></u>

The Town's annual required contribution, the percentage of the annual required contribution contributed to the plan and the net OPEB obligation for recent years are as follows:

Fiscal Year <u>Ended December 31</u>	Annual <u>Required Contribution (ARC)</u>	Percentage of <u>ARC Contributed</u>	Net OPEB <u>Obligation</u>
2017	\$279,074	193.2%	\$(208,395)
2016	296,496	175.8%	52,369
2015	315,611	168.5%	281,024

b. **Funded Status and Funding Progress**

Electric Light Department

As of January 1, 2016, the most recent actuarial valuation date the Actuarial Accrued Liability (AAL) for benefits was \$4,222,174 and the actuarial value of assets was \$1,426,735, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$2,795,439. The actuarial value of the assets as a percentage of the Actuarial Accrued Liability (funded ratio) was 33.79%. The covered payroll as of the valuation date was \$2,469,286 and the UAAL as a percentage of covered payroll was 113.2%.

Subsequent to the most recent valuation, the Light Department made contributions to and had earnings in the OPEB trust. The balance in the OPEB trust as of December 31, 2017, was \$2,253,322. The plan assets are recorded and reported in the Department's fiduciary fund financial statements.

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

c. **Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members). The projections consider the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

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

Electric Light Department

In the January 1, 2016, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 7.5% investment rate of return (the same as the previous valuation) and an annual healthcare cost trend rate of 7% initially, reduced by 0.5% decrements to an ultimate rate of 5% in year five (previously 7% graded to 5% in year three). The actuarial value of assets was determined using market value. The UAAL is being amortized over a thirty year closed amortization period.

B. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

C. Tax Abatement Agreements

In accordance with GASB Statement No. 77, Tax Abatement Disclosures, the Town is required to disclose certain information related to tax agreement programs.

The Town entered into property tax abatement agreements subject to Massachusetts General Laws Chapter 23A, Sections 3A-3F. The Economic Development Incentive program is designed to promote increased business development and expansion throughout the Commonwealth. It allows municipalities to negotiate agreements that provide enhancements to properties and/or assist in job creation and retention.

Multi-Brand Retailer

The recipient of the agreement agreed to invest approximately \$35 million in soft and hard construction development costs and \$14 million for personal property and other investment expenses. In addition, the company agreed to create and retain 130 full time employees within seven years. Consideration to hiring town residents and vendors will be afforded subject to applicable laws and equal qualifications. In addition, the recipient will relocate 227 current employees to the project. The tax abatement agreement is a twelve year agreement. The abatement is granted by reducing the company's real estate taxation by 62.1% year one with reductions in the percentages to a 33.9% reduction in year twelve.

The company is required to provide the Town with an annual report. The report shall provide specific information that will allow the Town to verify that the agreed to conditions have been met. If the company fails to meet the obligations specified in the agreement, the Town may request decertification of the agreement by the Massachusetts Economic Assistance Coordinating Council. If the agreement is decertified, the Town may revoke the remainder of the agreement.

For the fiscal year ended June 30, 2018, the company received a tax abatement of \$497,459.

Gas Containment Equipment and Services

The recipient of the agreement agreed to invest approximately \$3.5 million in capital improvements and \$7.5 million for capital equipment to be located on the site. In addition, the company agreed to create and retain 67 full time employees. Consideration to hiring town residents will be afforded subject to applicable laws and equal qualifications. The tax abatement agreement is a twenty year agreement. The abatement is granted by reducing the company's real estate taxation by 25% in year one with reductions in the percentages to a 5% reduction in year 5 and the remaining years of the agreement.

The company is required to provide the Town with an annual report. The report shall provide specific information that will allow the Town to verify that the agreed to conditions have been met. If the company fails to meet the obligations specified in the agreement, the Town may request decertification of the agreement by the Massachusetts Economic Assistance Coordinating Council. If the agreement is decertified, the Town may revoke the remainder of the agreement.

For the fiscal year ended June 30, 2018, the company received a tax abatement of \$5,060.

Information Technology

The recipient of the agreement agreed to invest approximately \$43 million in capital improvements and \$20 million for capital equipment to be located on the site. In addition, the company agreed to create and retain 43 full time employees. Consideration to hiring town residents will be afforded subject to applicable laws and equal qualifications. The tax abatement agreement is a twenty year agreement. The abatement is granted by reducing the company's real estate taxation by 25% in year one with reductions in the percentages to a 5% reduction in year 5 and the remaining years of the agreement.

The company is required to provide the Town with an annual report. The report shall provide specific information that will allow the Town to verify that the agreed to conditions have been met. If the company fails to meet the obligations specified in the agreement, the Town may request decertification of the agreement by the Massachusetts Economic Assistance Coordinating Council. If the agreement is decertified, the Town may revoke the remainder of the agreement

For the fiscal year ended June 30, 2018, the company received a tax abatement of \$37,409.

D. Subsequent Year Authorizations

On May 7, 2018 and October 29, 2018 the Town (including the Water Enterprise Fund) adopted a fiscal year 2019 operating and capital budget of \$58,139,511. Fiscal year 2019 budgetary amounts will be financed by the following sources:

2019 Property Taxes, State Aid and Other	
Estimated Revenues	\$ 45,403,094
Enterprise Fund Revenues	4,552,679
Enterprise Fund Retained Earnings	268,625
Community Preservation Fund Revenues	500,979
Restricted Fund Balance:	
Nonmajor Funds	1,405,106
Committed Fund Balance:	
General Fund	4,103,374
Nonmajor Funds	585,916
Assigned Fund Balance:	
General Fund	522,897
Overlay Surplus Released in Fiscal Year 2019	754,841
Unassigned Fund Balance:	
General Fund	42,000
	<u><u>\$ 58,139,511</u></u>

The Light Department is not subject to the appropriation process.

E. Commitment and Contingencies

Town of Littleton acting through its Light Department is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs.

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

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

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

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

Littleton Electric Light & Water has entered into PSAs and PPAs with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Municipal Light Department revenues. Under the PSAs, each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

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

As of December 31, 2017 total capital expenditures amounted to \$1,583,481,000, of which \$16,881,000 represents the amount associated with the Department's Project Capability. MMWEC's debt outstanding for the Projects from Power Supply System Revenue Bonds totals \$10,680,000, of which \$27,000 is associated with the Department's share of Project Capability. As of December 31, 2017, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$11,425,000 of which \$29,000 is anticipated to be billed to the Department in the future.

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

<u>Annual Costs</u>	
For years ended December 31,	
2018	\$29,000
<u>TOTAL</u>	<u>\$29,000</u>

In addition, under the PSAs, the Department is required to pay to MMWEC its share of the Operations and Maintenance (O&M) cost of the Projects in which it participates. The Department's total O&M costs including debt service under the PSAs were \$1,118,000 and \$1,624,000 for the years ended December 31, 2017 and 2016, respectively.

LITTLETON ELECTRIC LIGHT DEPARTMENT
AS OF DECEMBER 31, 2017

<u>PROJECTS</u>	<u>PERCENTAGE SHARE</u>	<u>TOTAL PROJECT EXPENDITURES</u>		<u>PARTICIPANT'S SHARE</u>	<u>DEBT ISSUED & OUTSTANDING 12/31/2017</u>	<u>PARTICIPANT'S SHARE</u>	<u>TOTAL DEBT SERVICE ON BONDS OUTSTANDING</u>		<u>PARTICIPANT'S SHARE</u>
		<u>TO DATE</u>	<u>\$</u>				<u>\$</u>	<u>12/31/2017</u>	
Stony Brook Peaking Project	3.0607	\$ 59,792	\$ 1,831	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	1.6654	174,406	2,905	-	-	-	-	-	-
Nuclear Mix No. 1 -SBK	1.7544	12,578	221	-	-	-	-	-	-
Nuclear Mix No. 1 -MLS	1.7544	119,823	2,102	-	-	-	-	-	-
Nuclear Project No.3 - MLS	0.7972	148,404	1,183	3,195	25	3,312	26		
Nuclear Project No. 4-SBK	2.2220	333,722	7,415	-	-	-	-	-	-
Nuclear Project No. 5-SBK	0.9262	90,779	841	225	1	231	2		
Wyman Project	4.5428	8,452	384	-	-	-	-	-	-
Project No. 6-SBK	-	635,525	-	7,260	-	7,882	1		
TOTAL		\$ 1,583,481	\$ 16,882	\$ 10,680	\$ 27	\$ 11,425	\$ 29		
<u>PROJECTS</u>	<u>PERCENTAGE SHARE</u>	<u>OPERATION & MAINTENANCE 12/31/2016</u>		<u>PARTICIPANT'S SHARE</u>	<u>OPERATION & MAINTENANCE 12/31/2017</u>		<u>PARTICIPANT'S SHARE</u>		
		<u>12/31/2016</u>	<u>\$</u>		<u>12/31/2017</u>	<u>\$</u>	<u>12/31/2017</u>	<u>\$</u>	<u>12/31/2017</u>
Stony Brook Peaking Project	3.0607	\$ 4,008	\$ 123	\$ 4,487	\$ 16,662	\$ 137			
Stony Brook Intermediate Project	1.6654	28,039	467	16,662	277				
Nuclear Mix No. 1 -SBK	1.7544	723	13	686	12				
Nuclear Mix No. 1 -MLS	1.7544	6,038	106	6,532	115				
Nuclear Project No.3 - MLS	0.7972	22,939	183	15,756	126				
Nuclear Project No.4 - SBK	2.2220	27,748	617	16,344	363				
Nuclear Project No.5 - SBK	0.9262	7,615	71	4,704	44				
Wyman Project	4.5428	961	44	976	44				
Project No. 6 - SBK	-	55,538	-	37,834	-				
TOTAL		\$ 153,609	\$ 1,624	\$ 103,981	\$ 1,118				

LITTLETON ELECTRIC LIGHT DEPARTMENT

AS OF DECEMBER 31, 2017

(\$000)

<u>PROJECTS</u>	<u>PERCENTAGE SHARE</u>	<u>2018 ANNUAL COST</u>	<u>PARTICIPANT'S SHARE</u>	<u>2019 ANNUAL COST</u>	<u>PARTICIPANT'S SHARE</u>
Stony Brook Peaking Project	3.0607	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	1.6654	-	-	-	-
Nuclear Mix No. 1 -SBK	1.7544	-	-	-	-
Nuclear Mix No. 1 -MLS	1.7544	-	-	-	-
Nuclear Project No.3 - MLS	0.7972	3,346	27	-	-
Nuclear Project No. 4-SBK	2.2220	-	-	-	-
Nuclear Project No. 5-SBK	0.9262	235	2	-	-
Wyman Project	4.5428	-	-	-	-
Project No. 6-SBK	-	503	-	7,456	-
TOTAL		\$ 4,084	\$ 29	\$ 7,456	\$ -

E. Litigation

A claim was filed against the Littleton Electric Light Department seeking approximately \$444,000. The litigation is in its very early stages. The Littleton Electric Light Department intends to vigorously oppose the claim.

F. Significant Commitments

Encumbrances

Encumbrances for open purchase are reported as Assigned Fund Balance unless the resources have already been restricted, committed or assigned for another purpose. The assigned fund balance in the Town's general fund includes encumbrances in the amount of \$1,189,342.

G. Prior Period Adjustment

Governmental Accounting Standards Board Statement #45 (*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*) required reporting the net Other Post Employment Benefits (OPEB) liability over a thirty year phase in period. Beginning in fiscal year 2018, the implementation of Governmental Accounting Standards Board Statement #75 (*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*) eliminated the phase in period and the entire net Other Post Employment Benefits (OPEB) liability must be reported. As a result, a prior period adjustment was required to reflect the entire net OPEB liability at the beginning of the fiscal year. The net position prior to the adjustment, the prior period adjustment and the net position after the prior period adjustment are as follows:

		Governmental	Business Type
	<u>Total</u>	<u>Activities</u>	<u>Activities</u>
Net Position Prior to Adjustment	\$ 102,518,160	\$ 59,630,326	\$ 42,887,834
Prior Period Adjustment	(760,349)	(179,378)	(580,971)
Net Position After the Adjustment	<u>\$ 101,757,811</u>	<u>\$ 59,450,948</u>	<u>\$ 42,306,863</u>

H. Implementation of New GASB Pronouncements

During fiscal year 2018, the following GASB pronouncements were implemented:

- The GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which is required to be implemented in reporting periods beginning after June 15, 2017. The implementation of this standard required reporting the entire net OPEB liability in the financial statements. In addition, the standard required significant note disclosures and additional required supplementary information.
- The GASB issued Statement No 81, Irrevocable Split-Interest Agreements, which is required to be implemented in reporting periods beginning after December 15, 2016. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement No 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73 which is required to be implemented in fiscal year 2018. This Statement amends Statements 67 and 68 to require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The statement was implemented.
- The GASB issued Statement No. 85, Omnibus 2017 which is required to be implemented in reporting periods beginning after June 15, 2017. The implementation of this pronouncement did not impact the financial statements.

- The GASB issued Statement No. 86, Certain Debt Extinguishment Issues which is required to be implemented in reporting periods beginning after June 15, 2017. The implementation of this pronouncement did not impact the financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement No. 83, Certain Asset Retirement Obligations which is required to be implemented for reporting periods beginning after June 15, 2018.
- The GASB issued Statement No. 84, Fiduciary Activities which is required to be implemented in reporting periods beginning after December 15, 2018.
- The GASB issued Statement No. 87, Leases which is required to be implemented in reporting periods beginning after December 15, 2019.
- The GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements which is required to be implemented in reporting periods beginning after June 15, 2018.
- The GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period which is required to be implemented in reporting periods beginning after December 15, 2019.
- The GASB issued Statement No. 90 Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61 which is required to be implemented in reporting periods beginning after December 15, 2018.

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

REQUIRED SUPPLEMENTARY INFORMATION

Town of Littleton, Massachusetts
Required Supplementary Information
General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Basis)
June 30, 2018

					Variance with Final Budget
		Budgeted Amounts		Actual Amount	Positive (Negative)
		<u>Original</u>	<u>Final</u>		
<u>Revenues</u>					
Property Taxes	\$ 36,018,570	\$ 35,905,438	\$ 36,671,524	\$ 766,086	
Tax Liens	-	-	93,384	93,384	
Excises	1,731,116	1,731,116	2,178,844	447,728	
Penalties and Interest	75,000	75,000	121,126	46,126	
Licenses and Permits	200,000	200,000	418,008	218,008	
Fees and Departmental	85,000	85,000	148,306	63,306	
Intergovernmental	5,078,080	5,078,080	5,124,008	45,928	
Charges for Services	250,000	250,000	331,636	81,636	
Fines and Forfeits	35,000	35,000	58,049	23,049	
Earnings on Investments	36,000	36,000	295,478	259,478	
In Lieu of Taxes	800,000	800,000	857,226	57,226	
Special Assessments	20,000	20,000	34,513	14,513	
Miscellaneous	-	-	23,940	23,940	
Total Revenues	44,328,766	44,215,634	46,356,042	2,140,408	
<u>Expenditures</u>					
Current:					
General Government	4,129,028	4,245,670	3,973,052	272,618	
Public Safety	3,995,122	4,028,122	3,917,226	110,896	
Education	19,631,328	19,647,218	19,647,209	9	
Highway and Public Works	2,975,353	3,074,353	3,277,800	(203,447)	
Health and Human Services	495,131	495,131	418,709	76,422	
Culture and Recreation	691,784	691,784	683,162	8,622	
Intergovernmental	1,158,414	1,158,414	1,117,118	41,296	
Employee Benefits	8,353,416	8,315,416	8,315,408	8	
Debt Service	2,955,362	2,955,362	2,955,170	192	
Total Expenditures	44,384,938	44,611,470	44,304,854	306,616	
Excess (Deficiency) of Revenues Over Expenditures	(56,172)	(395,836)	2,051,188	2,447,024	
Other Financing Sources (Uses)					
Transfers In	1,104,051	1,105,057	1,105,057	-	
Transfers Out	(2,092,877)	(2,830,957)	(2,830,957)	-	
Budgetary Fund Balance	1,044,998	2,121,736	2,121,736	-	
Total Other Financing Sources (Uses)	56,172	395,836	395,836	-	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ -	\$ -	\$ 2,447,024	\$ 2,447,024	

Required Supplementary Information
 Schedule of the Town of Littleton, Massachusetts' Proportionate Share of the Net Pension Liability
 Middlesex County Retirement System
 Last Ten Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Town's proportionate share of net pension liability (asset) (%)	1.510218%	1.690981%	1.658682%	1.583397%	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>					
Town's proportionate share of net pension liability (asset) (\$)	\$21,432,789	23,959,114	21,397,309	19,021,595						
Town's covered payroll	\$11,686,136	11,081,928	10,782,598	10,367,883						
Town's proportionate share of net pension liability (asset) as a percentage of its covered payroll	183.40%	216.20%	198.44%	183.47%						
Plan fiduciary net position as a percentage of the pension liability	49.27%	45.49%	46.13%	47.65%						

The fiscal year end date for the Town's Municipal Light Department is December 31. Therefore, the Light Department reports the liability in the year before the year noted above.

** The amounts presented for each fiscal year were determined as of December 31.

See Notes to the Required Supplementary Information

Required Supplementary Information
 Schedule of the Town of Littleton, Massachusetts' Contributions
 Middlesex County Retirement System
 Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 2,054,283	\$ 1,875,271	\$ 1,762,316	\$ 1,711,410						
Contributions in relation to the contractually required contribution	<u>(3,555,064)</u>	<u>(2,575,271)</u>	<u>(1,762,316)</u>	<u>(1,711,410)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ (1,500,781)</u>	<u>\$ (700,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	11,686,136	11,081,928	10,782,598	10,367,883						
Contributions as a percentage of covered payroll	30.42%	23.24%	16.34%	16.51%						

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Town of Littleton Massachusetts' Proportionate Share of the Collective Net Pension Liability
Massachusetts Teachers' Retirement System
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Town's proportionate share of the collective net pension liability (asset) (%)	0.00%	0.00%	0.00%	0.00%	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>					
Town's proportionate share of the collective net pension liability (asset) (\$)	\$ -	\$ -	\$ -	\$ -						
State's proportionate share of the collective net pension liability (asset) associated with Town (\$)	<u>\$ 36,405,133</u>	<u>\$ 35,396,068</u>	<u>\$32,386,865</u>	<u>\$ 24,570,481</u>						
Total	<u>\$ 36,405,133</u>	<u>\$ 35,396,068</u>	<u>\$32,386,865</u>	<u>\$ 24,570,481</u>						
Town's covered payroll	10,802,005	10,413,480	10,019,563	9,477,266						
Town's proportionate share of the collective net pension liability (asset) as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%						
Plan fiduciary net position as a percentage of the pension liability	0.00%	52.73%	55.38%	61.64%						
Town's expense and revenue recognized for Commonwealth support	<u>\$ 3,799,710</u>	<u>\$ 3,610,631</u>	<u>\$ 2,626,863</u>	<u>\$ 1,707,029</u>						

See Notes to the Required Supplementary Information

Town of Littleton, Massachusetts
 Littleton Electric Light Department
 Required Supplementary Information
 Schedules of Funding Progress and Employer's Contributions - Other Post Employment Benefits
 Fiscal Year Ended December 31, 2017

Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability <u>(AAL)</u>	Unfunded AAL <u>(UAAL)</u>	Funded Ratio <u>(a) / (b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>[(b) - (a) / (c)]</u>
01/01/2016	\$1,426,735	\$4,222,174	\$2,795,439	33.79%	\$2,469,286	113.2%
01/01/2014	\$886,735	\$4,187,388	\$3,300,653	21.18%	\$2,729,436	120.9%
01/01/2012	\$370,151	\$4,287,032	\$3,916,881	8.63%	\$2,428,997	161.3%

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Employer's Contributions

Fiscal Year <u>Ended December 31</u>	Annual Required Contribution (ARC)	Percentage <u>Contributed</u>	Net OPEB <u>Obligation</u>
2017	\$279,074	193.2%	(\$208,395)
2016	\$296,496	175.8%	\$52,369
2015	\$315,611	168.5%	\$281,024

See Notes to the Required Supplementary Information

Town of Littleton, Massachusetts
Littleton Electric Light Department
Required Supplementary Information - Other Post Employments Benefits
Valuation Details - GASB #45
December 31, 2017

Valuation Date	January 1, 2016
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar amount per year over 25 years on a closed amortization period for full pre-funding
Asset Valuation Method	Market Value

Actuarial Assumptions:

Investment Rate of Return	7.5%, pre-funding; (the same as in the previous report).
Medical/Drug Cost Trend Rate	7.0% graded to 5.0% in year 5; previous report utilized 7.0% graded to 5.0% in year 3.

Plan Membership:

Current retirees, beneficiaries, and dependents	38
Current active members	<u>26</u>
Total	64

See Notes to the Required Supplementary Information

Town of Littleton, Massachusetts

Required Supplementary Information

Schedule of Changes in the Net OPEB Liability and Related Ratios (Town - Not Including Electric Light Department)

(GASB 74 & GASB 75)

June 30, 2018

Last 10 Fiscal Years

Town - Not Including Electric Light Department	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability										
Service cost	\$ 887,514	\$ 853,379								
Interest	1,818,827	1,690,414								
Changes of benefit terms	-	-								
Difference between expected and actual experience	-	-								
Changes in assumptions	-	-								
Benefit payments	(919,952)	(811,562)								
Net change in total OPEB liability	1,786,389	1,732,231								
Total OPEB liability - beginning	23,823,488	22,091,257								
Total OPEB liability - ending (a)	\$ 25,609,877	\$ 23,823,488								
Plan Fiduciary net position										
Contributions - employer	\$ 2,352,890	\$ 1,959,853								
Net investment income	461,845	541,215								
Benefit payments	(919,952)	(811,562)								
Administrative expense	-	-								
Net change in plan fiduciary net position	1,894,783	1,689,506								
Plan fiduciary net position - beginning	7,109,137	5,419,631								
Plan fiduciary net position - ending (b)	\$ 9,003,920	\$ 7,109,137								
Town's net OPEB liability - ending (a) - (b)	\$ 16,605,957	\$ 16,714,351								
Plan fiduciary net position as a percentage of the total OPEB liability	35.16%	29.84%								
Covered payroll	\$ 19,528,449	\$ 20,907,161								
Town's net OPEB liability as a percentage of covered payroll	85.03%	79.95%								

Benefit changes

The Patient Protection and Affordable Care Act (PPACA) applies a 40% excise tax, commonly referred to as the "Cadillac Tax", to the cost of plan benefits in excess of statutory thresholds beginning in 2022. Previously, the tax was effective beginning in 2020.

Changes in assumption

All of the assumptions were the same as used in the previous valuation.

See Notes to the Required Supplementary Information

Town of Littleton, Massachusetts
Required Supplementary Information

Schedule of Contributions - Other Post Employment Benefits (Town - Not Including Electric Light Department)
(GASB 74 & GASB 75)
June 30, 2018
Last 10 Fiscal Years

Town - Not Including Electric Light Department	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarial determined contribution	\$ 2,383,507	\$ 2,602,241	<i>This Schedule is intended to be a ten year schedule. Additional years' information will be displayed as it becomes available.</i>							
Contributions in relating to the actuarially determined contribution	2,352,890	1,959,853								
Contribution deficiency (excess)	<u><u>\$ 30,617</u></u>	<u><u>\$ 642,388</u></u>								
Covered payroll	\$ 19,528,449	\$ 20,907,161								
Contributions as a percentage of covered payroll	12.05%	9.37%								

Notes to Schedule

Valuation date: 7/1/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost
Amortization period	30 years closed
Asset valuation method	Market Value
Inflation	3.0% per year
Healthcare cost trend rates	8.0% for 2016, decreasing by 1% per year to an ultimate rate of 5%
Investment rate of return	7.50%

Mortality

Healthy:

Pre-Retirement

RP-2000 Employees Mortality Table, base year 2009,

Post-Retirement

RP-2000 Healthy Annuitant Mortality Table, base year 2014,
projected with generational mortality improvement using scale BB.

Disabled (Teachers)

RP-2014 White Collar Healthy Annuitant Mortality Table set forward 4 years projected generationally with Scale BB2D from 2014

Other information:

The underlying tables with generational projection to the ages of the participants as of the measurement date reasonably reflect the mortality experience of the plan as of the measurement date. The mortality tables were then adjusted to future years using generational projection to reflect future mortality improvement between the measurement date and those years.

See Notes to the Required Supplementary Information

Town of Littleton, Massachusetts
Required Supplementary Information
Schedule of Investment Returns (Town - Not Including Electric Light Department)
(GASB 74)
June 30, 2018
Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Annual money-weighted rate of return, net of investment expense	5.90%	8.66%								

This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

See Notes to the Required Supplementary Information

Littleton Electric Light Department
 Required Supplementary Information
 Schedule of Changes in the Net OPEB Liability and Related Ratios - Electric Light
 (GASB 74)
 December 31, 2017
 Last 10 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total OPEB liability										
Service cost	\$ 69,247									
Interest		289,872								
Benefit payments		(289,069)								
Net change in total OPEB liability		70,050								
Total OPEB liability - beginning		3,940,262								
Total OPEB liability - ending (a)		<u><u>\$ 4,010,312</u></u>								
 Plan Fiduciary net position										
Contributions - employer	\$ 539,069									
Net investment income		235,555								
Benefit payments		(289,069)								
Administrative expense		-								
Net change in plan fiduciary net position		485,555								
Plan fiduciary net position - beginning		1,767,767								
Plan fiduciary net position - ending (b)		<u><u>\$ 2,253,322</u></u>								
 Department's net OPEB liability - ending (a) - (b)		<u><u>\$ 1,756,990</u></u>								
 Plan fiduciary net position as a percentage of the total OPEB liability		56.19%								
 Covered payroll	\$ 2,238,651									
 Department's net OPEB liability as a percentage of covered payroll		78.48%								

See Notes to the Required Supplementary Information

Littleton Electric Light Department
 Required Supplementary Information
 Schedule of Contributions - Other Post Employment Benefits - Electric Light
 (GASB 74)
 December 31, 2017
 Last 10 Fiscal Year

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarial determined contribution	\$279,074									
<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>										
Contributions in relating to the actuarially determined contribution	539,069									
Contribution deficiency (excess)	<u><u>\$ (259,995)</u></u>									
Covered-employee payroll	\$ 2,238,651									
Contributions as a percentage of covered-employee payroll	24.08%									

Notes to Schedule

Valuation date:

Actuarially determined contributions are determined as of January 1, one year prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost
Amortization method	Level Dollar Amount over 25 years on a closed amortization period
Amortization period	25 years
Asset valuation method	Market Value
Inflation	2.6%
Healthcare cost trend rates	7.0% decreasing by 0.5% per year to an ultimate rate of 5%
Investment rate of return	7.5%, net of OPEB plan investment expense, including inflation

Mortality

Pre-Retirement Mortality - General and Public Safety Employees:

RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality using Scale BB.

Post-Retirement Mortality - General and Public Safety Employees:

RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality using Scale BB.

See Notes to the Required Supplementary Information

Littleton Electric Light Department
Required Supplementary Information
Schedule of Investment Returns - Electric Light
(GASB 74)
December 31, 2017
Last 10 Fiscal Years

2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
------	------	------	------	------	------	------	------	------	------

Annual money-weighted rate of return,
net of investment expense

12.89% *This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.*

See Notes to the Required Supplementary Information

Town of Littleton, Massachusetts
Notes to the Required Supplementary Information
June 30, 2018

I Budgetary Information

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January and February of each year. The Selectmen and Finance Committee have until the annual Town meeting is held to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations.

II Pension Plans

i. Plan Description

The Town provides pension benefits to eligible employees by contributing to the Middlesex County Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex County Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The Town is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex County Retirement System issues a stand-alone financial report that is available to the public at:

<https://middlesexretirement.org/wp-content/uploads/2018/08/FINAL-MCRS-Audit-Report-of-Financial-Statements-12-31-2017.pdf>

ii. Funding Plan

Active members of the Middlesex County Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirements of plan members are determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Middlesex County Retirement System with the approval of the Public Employee Retirement Administration Commission.

iii. Change in Assumptions

The following assumption changes were reflected in the January 1, 2018 actuarial valuation:

- The mortality tables for healthy participants were changed from the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB2D from 2009 to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables projected generationally using Scale MP-2017.
- The mortality tables for disabled participants were changed from the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D

from 2015 to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward 1 year projected generationally using Scale MP-2017.

- The long-term salary increase assumption was lowered by 0.25%, to 4.00% for Group 1 participants, 4.25% for Group 2 participants, and 4.50% for Group 4 participants.
- The investment rate of return assumption was reduced from 7.75% to 7.50%. The inflation rate was reduced to 3.25% from the previous rate of 3.50%.

Changes in Plan Provisions

There were not any changes in the Plan provisions.

iv. Schedule of Town's Proportionate Share of the Net Pension Liability - Middlesex County Retirement System

The schedule details the Town's percentage of the collective net pension liability, the proportionate amount of the collective net pension liability, the Town's covered-employee payroll, the Town's proportionate share of the collective net pension liability as a percentage of the Town's covered payroll and the fiduciary net position of the plan as a percentage of the total pension liability. As more information becomes available, this will be a ten year schedule.

v. Schedule of the Town's Contributions

The schedule details the Town's contractually required contributions, the contributions made by the Town, the deficiency/(excess) of contributions made by the Town, the Town's covered-employee payroll and the Town's contributions as a percentage of covered payroll. As more information becomes available, this will be a ten year schedule.

III Massachusetts Teachers Retirement System

Special Funding Situation

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. The MTRS covers certified teachers and certain school administrators. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a "special funding situation" according to GASB Statement # 68 *Accounting and Financial Reporting for Pensions*. Since the Town does not contribute to the MTRS it does not have a pension liability to report.

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

For the fiscal year ended June 30, 2018, the Town's proportionate share of the collective pension expense was \$3,799,710. The Town's proportionate share was based on its percentage share of covered payroll in the MTRS. Accordingly, the accompanying financial statements include the required adjustments, which have increased both Intergovernmental revenues and the Education expenditures by the same amount in the fund financial statements and the education expense and program revenue in the government wide financial statements. The net effect of this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2018, or fund balance/net position at June 30, 2018.

The Commonwealth's proportionate share of net pension liability associated with the Town is \$36,405,133.

The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. The Commonwealth's report is available on the internet at: <http://www.macomproller.info/comptroller/docs/reports-audits/cafr/cafr-fy17.pdf>

Benefits provided

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

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

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

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

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984-6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation
1979 to present	An additional 2% of regular compensation over \$30,000

In addition, members who join the system on or after April 2, 2012 will have their withholding rate reduced to 8% after achieving 30 years of creditable service.

Actuarial Assumptions

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

1. (a) 7.5% investment rate of return (same as the previous valuation), (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct). (previous valuation used Pre-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year 2014 - gender distinct).
 - Post-retirement - reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct). (previous valuation used Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 (gender distinct).
 - Disability – assumed to be in accordance RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 set forward 4 years
4. An Experience Study was performed as follows:
 - Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the Commonwealth of Massachusetts financial report. The financial report is available on the internet at: <http://www.macomproller.info/comptroller/docs/reports-audits/cafr/cafr-fy17.pdf>

IV Other Postemployment Benefits (OPEB) Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement #74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (which became effective for the June 30, 2017 reporting period) and Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (effective for the June 30, 2018 reporting period). GASB Statements #74 and #75 relate to reporting requirements of the Town's OPEB Trust fund and the Town's OPEB liability. The net other post-employment benefits **liability** reported in the Town's statement of net position under the new standards differs from the net other post-employment benefits **obligation** amount previously reported (in accordance with the prior standards guided by GASB Statement #45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*). Under GASB Statement #45, the reporting of the Town's net other post-employment benefits liability was "phased in" over a thirty-year period. The new standards eliminate the thirty-year phase in period and require reporting the entire other post-employment benefits liability.

Plan Description

Plan Administration: The Town administers all activity related to the other post-employment benefits plan - a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the Town. Management of the plan is vested in the **Board of Selectmen** and the Town's Treasurer. The Town's **Board of Selectmen** has the authority to establish and amend benefit terms.

Benefits Provided: The Town provides retired employees and their spouses and dependents with payments for a portion of their health care, dental care and life insurance benefits. Benefits are provided through a third-party insurer.

Contributions. The Town pays premiums based on years of service and date of hire. For employees hired prior to July 1, 2010, the Town will contribute 70% of the premium. The retiree or surviving spouse will be responsible for the remaining 30%. For employees hired after July 1, 2010, the Town will contribute 50% of the premium. The retiree or surviving spouse will be responsible for the remaining 50%. Benefits paid by the Town are on a pay-as-you-go basis. However, contributions are made to an OPEB Trust. The contribution requirements of plan members and the Town are established by contractual negotiations and may be amended from time to time.

iii. Schedule of Net OPEB Liability and Related Ratios

The schedule provides information about the changes in the OPEB liability and the changes in the fiduciary net position of the plan. The schedule, also, provides the plan fiduciary net position as a percentage of the total OPEB liability, the covered payroll and the Town's net OPEB liability as a percentage of covered payroll.

iv. The Schedule of Contributions - Other Post Employment Benefits

The schedule details the Town's actuarially required contributions, the contributions made by the Town, the deficiency/(excess) of contributions made by the Town, the Town's covered payroll and the Town's contributions as a percentage of covered payroll.

v. The Schedule of Investment Rate of Returns - Other Post Employment Benefits

The schedule details the Town's annual money weighted rate of return, net of investment expense.

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*

To the Board of Selectmen
Town of Littleton
37 Shattuck Street
P.O. Box 1305
Littleton, MA 01460

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Littleton, Massachusetts, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Littleton, Massachusetts' basic financial statements, and have issued our report thereon dated March 25, 2019. We conducted our audit in accordance with the 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 Electric Light Department and the Water enterprise fund were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Electric Light Department or Water enterprise fund.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Littleton, Massachusetts 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 of Littleton, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Littleton, Massachusetts' 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 of Littleton, Massachusetts' financial statements are free from 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*.

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.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
March 25, 2019