

**TOWN OF LITTLETON, MASSACHUSETTS**

**Financial Statements**

**June 30, 2017**

**and Electric Light Enterprise Fund as of December 31, 2016**

**(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, 2017  
and Electric Light Enterprise Fund as of December 31, 2016

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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, 2017 (the Electric Light Enterprise as of December 31, 2016 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, 2017 (the Electric Light Enterprise Fund as of December 31, 2016) 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 February 8, 2018, 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  
February 8, 2018

**Town of Littleton, Massachusetts**  
**Management's Discussion and Analysis**  
**Required Supplementary Information**  
**June 30, 2017**

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, 2017.

**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 \$102,518,160 (*net position*). Of this amount, \$1,064,834 is considered unrestricted (unrestricted net position). The unrestricted net position of the Town's governmental activities is a negative \$12,288,655. 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 \$13,353,489 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 \$7,936,224 (not including prior period adjustments) or 8.23% in fiscal year 2017. The Governmental Activities increased by \$4,289,406 or 7.75% and the Business Type Activities increased by \$3,646,818 or 8.87%.
- The total cost of all Town services for fiscal year 2017 was \$83,274,797, of which \$50,379,774 was for governmental services, and \$32,895,023 of which was for business-type activities.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$12,145,643, or 26.59% of total general fund expenditures.
- The Town issued \$282,674 in long term debt during fiscal year 2017. Principal payments were made during the year on previously issued enterprise and general long term debt. As a result, the Town of Littleton, Massachusetts' total long-term debt decreased by \$2,582,282 or 9.92%.

**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 2016 amounts were adjusted to reflect the prior period adjustments.

The following table reflects the condensed net position.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Current and Noncurrent Assets	\$ 36,298,226	\$ 44,869,682	\$ 25,801,080	\$ 24,119,752	\$ 62,099,306	\$ 68,989,434
Capital Assets	72,704,022	76,112,517	32,593,904	35,355,328	105,297,926	111,467,845
Total Assets	109,002,248	120,982,199	58,394,984	59,475,080	167,397,232	180,457,279
Deferred Outflows of Resources	1,308,849	2,599,224	176,334	1,464,468	1,485,183	4,063,692



	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Current Liabilities	8,040,488	16,656,200	4,317,206	4,138,378	12,357,694	20,794,578
Long Term Liabilities	46,929,689	47,294,897	13,159,279	13,913,336	60,088,968	61,208,233
Total Liabilities	<u>54,970,177</u>	<u>63,951,097</u>	<u>17,476,485</u>	<u>18,051,714</u>	<u>72,446,662</u>	<u>82,002,811</u>
Deferred Inflows of Resources	-	-	-	-	-	-
Net Position:						
Net Investment in Capital Assets	53,555,710	59,180,719	26,497,323	29,534,345	80,053,033	88,715,064
Restricted	12,146,212	12,738,262	1,688,222	-	13,834,434	12,738,262
Unrestricted	(10,361,002)	(12,288,655)	12,909,288	13,353,489	2,548,286	1,064,834
Total Net Position	<u>\$ 55,340,920</u>	<u>\$ 59,630,326</u>	<u>\$ 41,094,833</u>	<u>\$ 42,887,834</u>	<u>\$ 96,435,753</u>	<u>\$ 102,518,160</u>

### 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.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 4,010,352	\$ 4,023,765	\$ 34,726,211	\$ 35,623,724	\$ 38,736,563	\$ 39,647,489
Operating Grants and Contributions	10,476,306	11,872,220	605,841	785,474	11,082,147	12,657,694
Capital Grants and Contributions	-	100,251	-	-	-	100,251
General Revenues:						
Property Taxes	33,182,281	34,768,482	-	-	33,182,281	34,768,482
Motor Vehicle and Other Excises	1,584,328	2,047,348	-	-	1,584,328	2,047,348
Intergovernmental Not Restricted to a Specific Program	659,687	778,847	-	-	659,687	778,847
Other	1,377,963	1,199,910	10,003	11,000	1,387,966	1,210,910
<b>Total Revenues</b>	<u>51,290,917</u>	<u>54,790,823</u>	<u>35,342,055</u>	<u>36,420,198</u>	<u>86,632,972</u>	<u>91,211,021</u>
<b>Expenses</b>						
General Government	3,265,748	3,795,118	-	-	3,265,748	3,795,118
Public Safety	3,956,482	4,109,942	-	-	3,956,482	4,109,942
Education	26,642,641	28,437,988	-	-	26,642,641	28,437,988
Highways and Public Works	2,460,655	3,393,127	-	-	2,460,655	3,393,127
Human Services	676,353	450,889	-	-	676,353	450,889
Culture and Recreation	721,470	753,037	-	-	721,470	753,037
Employee Benefits	7,249,113	8,747,978	-	-	7,249,113	8,747,978
Debt Service	717,133	691,695	-	-	717,133	691,695
Electric	-	-	29,976,443	29,273,708	29,976,443	29,273,708
Water	-	-	2,742,923	2,884,680	2,742,923	2,884,680
Park and Recreation	-	-	835,770	736,635	835,770	736,635
Total Expenses	<u>45,689,595</u>	<u>50,379,774</u>	<u>33,555,136</u>	<u>32,895,023</u>	<u>79,244,731</u>	<u>83,274,797</u>
Increase (Decrease) in Net Position						
Before transfers:	5,601,322	4,411,049	1,786,919	3,525,175	7,388,241	7,936,224
Transfer In (Out)	(102,000)	(121,643)	102,000	121,643	-	-
Increase (Decrease) in Net Position	<u>\$ 5,499,322</u>	<u>\$ 4,289,406</u>	<u>\$ 1,888,919</u>	<u>\$ 3,646,818</u>	<u>\$ 7,388,241</u>	<u>\$ 7,936,224</u>

### Governmental Activities

In fiscal year 2017, property taxes accounted for approximately 63% of the revenues of the governmental activities. In fiscal year 2016, they accounted for 65 % 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 \$911,444 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.

<u>Fiscal Year</u>	<u>Reserved for Encumbrances</u>	<u>Reserved for Petty Cash</u>	<u>Reserved for Debt Service</u>	<u>Designated for Deficits</u>	<u>Designated for Subsequent Year's Expenditure</u>	<u>Unreserved</u>	<u>Total Fund Balance</u>
2008	\$ 467,191	\$ 2,550	\$ 23,844	\$ (323,056)	\$ 713,976	\$ 1,827,752	\$ 2,712,257
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:

<u>Fiscal Year</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
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

<u>Fiscal Year</u>	<u>Free Cash</u>
2007	\$ 1,061,237
2008	1,128,432
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	8,200,000 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 almost 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, 2017 (December 31, 2016 for the Electric Light Department), amount to \$111,467,845 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 (\$3,120,480)
- ▶ Alumni Field Renovation (\$695,071)
- ▶ Fuel Facility (\$126,854)
- ▶ Fire Truck (\$537,522)
- ▶ Shaker Lane Parking/Playground (\$249,351)
- ▶ Sidewalk Plow (\$148,800)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Land	\$ 11,664,885	\$ 11,869,885	\$ 2,035,423	\$ 2,246,904	\$ 13,700,308	\$ 14,116,789
Work in Process	456,755	3,892,906	579,337	2,871,260	1,036,092	6,764,166
Buildings	46,135,762	44,496,903	-	-	46,135,762	44,496,903
Improvements Other Than Building:	792,545	1,007,941	-	-	792,545	1,007,941
Other Depreciable Assets	-	-	29,979,144	30,237,164	29,979,144	30,237,164
Infrastructure	11,048,873	11,371,819	-	-	11,048,873	11,371,819
Equipment	1,301,760	1,579,865	-	-	1,301,760	1,579,865
Vehicles	1,303,442	1,893,198	-	-	1,303,442	1,893,198
Total	<u>\$ 72,704,022</u>	<u>\$ 76,112,517</u>	<u>\$ 32,593,904</u>	<u>\$ 35,355,328</u>	<u>\$ 105,297,926</u>	<u>\$ 111,467,845</u>

## Debt

The Town had \$23,437,491 in bonds, outstanding on June 30, 2017. This represents a (\$2,582,282) decrease 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	\$ 20,519,580	\$ 18,466,817
Business-type Activities		
Water	5,104,993	4,708,941
Electric Light	395,200	261,733
Total Debt	<u>\$ 26,019,773</u>	<u>\$ 23,437,491</u>

## Fiscal Year 2018 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 \$1,007,419 of its general fund unreserved fund balance to help fund the fiscal year 2018 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, 2017  
(Except for the Electric Activity, Which is for Year Ended December 31, 2016)

	Governmental Activities	Business - Type Activities	Government- Wide Total
<b>Assets</b>			
Current:			
Cash and Investments	\$ 42,919,093	\$ 9,297,914	\$ 52,217,007
Petty Cash	2,550	-	2,550
Accounts Receivable:			
Property Taxes	336,580	-	336,580
Tax Liens	257,541	-	257,541
Excises	203,639	-	203,639
User Charges	89,681	3,315,131	3,404,812
Accrued Unbilled Revenues	-	283,166	283,166
Merchandising and Jobbing	-	10,842	10,842
Special Assessments	297	-	297
Intergovernmental	250,656	40,000	290,656
Other	-	21,041	21,041
Inventory	-	875,932	875,932
Prepaid Expenses	105,796	479,601	585,397
Noncurrent:			
Restricted Cash	-	726,655	726,655
Restricted Investments	-	9,069,470	9,069,470
Accounts Receivable:			
Intergovernmental	415,726	-	415,726
Special Assessments - Not Yet Due	288,123	-	288,123
Capital Assets:			
Assets Not Being Depreciated	15,762,791	5,118,164	20,880,955
Assets Being Depreciated, Net	60,349,726	30,237,164	90,586,890
Total Assets	<u>120,982,199</u>	<u>59,475,080</u>	<u>180,457,279</u>
<b>Deferred Outflows of Resources</b>			
Debt Refunding	101,214	13,867	115,081
Pensions	2,498,010	1,450,601	3,948,611
Total Deferred Outflows of Resources	<u>2,599,224</u>	<u>1,464,468</u>	<u>4,063,692</u>
<b>Liabilities</b>			
Current:			
Warrants Payable	1,394,664	24,125	1,418,789
Accrued Salaries Payable	1,728,494	104,276	1,832,770
Guarantee Deposits	1,433,831	-	1,433,831
Unclaimed Checks	12,202	-	12,202
Other Liabilities	1,956	2,493,268	2,495,224
Accrued Interest Payable	231,948	52,836	284,784
Compensated absences	140,601	71,088	211,689
Bond Anticipation Notes Payable	9,495,000	870,000	10,365,000
Bonds Payable	2,217,504	472,785	2,690,289
Due to Municipal Light Department	-	50,000	50,000
Noncurrent:			
Compensated Absences	210,901	284,645	495,546
Net Pension Liability	15,157,256	8,801,858	23,959,114
Other Post Employment Benefits Payable	15,677,427	328,944	16,006,371
Bonds Payable	16,249,313	4,497,889	20,747,202
Total Liabilities	<u>63,951,097</u>	<u>18,051,714</u>	<u>82,002,811</u>
<b>Net Position</b>			
Net Investment in Capital Assets	59,180,719	29,534,345	88,715,064
Restricted for:			
Community Preservation	1,857,459	-	1,857,459
After School Programs	523,824	-	523,824
Gifts, Grants and Other Statutory Restrictions	6,346,789	-	6,346,789
Debt Service	263,845	-	263,845
Perpetual Funds:			
Expendable	2,174,709	-	2,174,709
Nonexpendable	1,571,636	-	1,571,636
Unrestricted	(12,288,655)	13,353,489	1,064,834
Total Net Position	<u>\$ 59,630,326</u>	<u>\$ 42,887,834</u>	<u>\$ 102,518,160</u>

Town of Littleton, Massachusetts  
Statement of Activities  
Fiscal Year Ended June 30, 2017  
(Except for the Electric Activity, Which is for Year Ended December 31, 2016)

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
Functions/Programs	Expenses	Charges for	Operating	Capital	Governmental	Business-Type	Total
		Services	Grants and Contributions	Grants and Contributions			
<b>Primary Government:</b>							
<i>Governmental Activities:</i>							
General Government	\$ 3,795,118	\$ 963,883	\$ 650,638	\$ -	\$ (2,180,597)	\$ -	\$ (2,180,597)
Public Safety	4,109,942	940,422	227,369	43,891	(2,898,260)	-	(2,898,260)
Education	28,437,988	1,389,436	10,007,318	-	(17,041,234)	-	(17,041,234)
Highways and Public Works	3,393,127	574,301	540,554	-	(2,278,272)	-	(2,278,272)
Human Services	450,889	75,818	196,946	56,360	(121,765)	-	(121,765)
Culture and Recreation	753,037	79,905	249,395	-	(423,737)	-	(423,737)
Employee Benefits	8,747,978	-	-	-	(8,747,978)	-	(8,747,978)
Debt Service	691,695	-	-	-	(691,695)	-	(691,695)
Intergovernmental	-	-	-	-	-	-	-
Total Governmental Activities	50,379,774	4,023,765	11,872,220	100,251	(34,383,538)	-	(34,383,538)
<i>Business-Type Activities:</i>							
Electric	29,273,708	31,842,705	425,519	-	-	2,994,516	2,994,516
Water	2,884,680	3,007,725	359,955	-	-	483,000	483,000
Park and Recreation	736,635	773,294	-	-	-	36,659	36,659
Total Business-Type Activities	32,895,023	35,623,724	785,474	-	-	3,514,175	3,514,175
Total Primary Government	\$ 83,274,797	\$ 39,647,489	\$ 12,657,694	\$ 100,251	(34,383,538)	3,514,175	(30,869,363)
<i>General Revenues:</i>							
					34,768,482	-	34,768,482
					11,754	-	11,754
					2,047,348	-	2,047,348
					118,066	-	118,066
					864,250	-	864,250
					778,847	-	778,847
					170,509	-	170,509
					3,856	-	3,856
					6,475	-	6,475
					25,000	11,000	36,000
					(121,643)	121,643	-
Total General Revenues, Special Items and Transfers					38,672,944	132,643	38,805,587
					4,289,406	3,646,818	7,936,224
Net Position:							
					55,340,920	41,094,833	96,435,753
					-	(1,853,817)	(1,853,817)
					55,340,920	39,241,016	94,581,936
					\$ 59,630,326	\$ 42,887,834	\$ 102,518,160

Town of Littleton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets:			
Cash and Investments	\$ 20,738,717	\$ 22,180,376	\$ 42,919,093
Petty Cash	2,550	-	2,550
Accounts Receivable:			
Property Taxes	334,046	2,534	336,580
Tax Liens	257,541	-	257,541
Excises	203,639	-	203,639
User Charges	-	89,681	89,681
Special Assessments	297	-	297
Special Assessments - Not Yet Due	40,042	248,081	288,123
Intergovernmental	623,589	42,793	666,382
Tax Foreclosures	345,823	-	345,823
Prepaid Expenditures	105,796	-	105,796
Total Assets	<u>\$ 22,652,040</u>	<u>\$ 22,563,465</u>	<u>\$ 45,215,505</u>
Liabilities:			
Warrants Payable	\$ 459,047	\$ 935,617	\$ 1,394,664
Accrued Salaries Payable	1,682,622	45,872	1,728,494
Guarantee Deposits	1,433,831	-	1,433,831
Unclaimed Checks	12,202	-	12,202
Other Liabilities	-	1,956	1,956
Bonds Anticipation Notes Payable	-	9,495,000	9,495,000
Total Liabilities	<u>3,587,702</u>	<u>10,478,445</u>	<u>14,066,147</u>
Deferred Inflow of Resources:			
Unavailable Revenues			
Property Taxes	130,836	2,534	133,370
Tax Liens	257,542	-	257,542
Excises	44,395	-	44,395
Special Assessments	40,339	248,081	288,420
Tax Foreclosures	345,823	-	345,823
User Charges	-	89,682	89,682
Intergovernmental	623,589	-	623,589
Total Deferred Inflow of Resources	<u>1,442,524</u>	<u>340,297</u>	<u>1,782,821</u>
Fund Equity:			
Fund Balances:			
Nonspendable	-	1,571,636	1,571,636
Restricted	263,845	9,572,621	9,836,466
Committed	3,176,314	1,579,995	4,756,309
Assigned	2,036,012	-	2,036,012
Unassigned	12,145,643	(979,529)	11,166,114
Total Fund Balances	<u>17,621,814</u>	<u>11,744,723</u>	<u>29,366,537</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 22,652,040</u>	<u>\$ 22,563,465</u>	<u>\$ 45,215,505</u>

Town of Littleton, Massachusetts  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Fiscal Year Ended June 30, 2017

	<u>General</u>	Total Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>Revenues:</u>			
Property Taxes	\$ 34,599,946	\$ 266,804	\$ 34,866,750
Tax Liens	197,467	-	197,467
Excises	2,039,256	-	2,039,256
Penalties and Interest	118,066	-	118,066
Licenses, Permits and Fees	504,232	204,128	708,360
Departmental	137,034	2,492,093	2,629,127
Intergovernmental	8,730,991	3,141,608	11,872,599
Charges for Services	335,654	686,017	1,021,671
Fines and Forfeits	54,529	-	54,529
Earnings on Investments	170,510	309,544	480,054
In Lieu of Taxes	864,250	-	864,250
Contributions	-	639,741	639,741
Special Assessments	26,815	-	26,815
Miscellaneous	3,855	41,500	45,355
Total Revenues	<u>47,782,605</u>	<u>7,781,435</u>	<u>55,564,040</u>
<u>Expenditures:</u>			
Current			
General Government	4,124,200	616,198	4,740,398
Public Safety	4,013,343	2,748,514	6,761,857
Education	22,380,853	4,041,844	26,422,697
Highways and Public Works	2,337,315	1,618,691	3,956,006
Human Services	352,756	110,560	463,316
Culture and Recreation	596,742	147,336	744,078
Employee Benefits	7,784,364	-	7,784,364
Debt Service	2,990,894	-	2,990,894
Intergovernmental	1,102,802	-	1,102,802
Total Expenditures	<u>45,683,269</u>	<u>9,283,143</u>	<u>54,966,412</u>
Excess of Revenues Over (Under) Expenditures	<u>2,099,336</u>	<u>(1,501,708)</u>	<u>597,628</u>
Other Financing Sources (Uses):			
Transfers In	1,245,337	4,072,974	5,318,311
Transfers (Out)	(4,256,117)	(1,183,837)	(5,439,954)
Proceeds from Bonds	-	282,674	282,674
Total Other Financing Sources (Uses)	<u>(3,010,780)</u>	<u>3,171,811</u>	<u>161,031</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(911,444)</u>	<u>1,670,103</u>	<u>758,659</u>
Fund Balance, Beginning	<u>18,533,258</u>	<u>10,074,620</u>	<u>28,607,878</u>
Fund Balance, Ending	<u>\$ 17,621,814</u>	<u>\$ 11,744,723</u>	<u>\$ 29,366,537</u>



Town of Littleton, Massachusetts  
Reconciliation of the Governmental Funds Balance Sheet  
Total Fund Balances to the Statement of Net Position  
June 30, 2017

Total governmental fund balances	\$ 29,366,537
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	76,112,517
Other assets are offset in unavailable accounts and are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,782,821
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.	(345,823)
Deferred Outflows/Inflows of Resources related to Pensions 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	2,498,010
Deferred Outflows of Resources - Debt Refundings	101,214
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds Payable	(18,466,817)
Accrued Interest on Bonds	(231,948)
Compensated Absences	(351,502)
Net Pension Liability	(15,157,256)
Other Post Employment Benefits Payable	<u>(15,677,427)</u>
Net position of governmental activities	<u><u>\$ 59,630,326</u></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, 2017

Net change in fund balances - total governmental funds \$ 758,659

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	6,752,404	
Depreciation	(3,368,909)	
Net Effect of Reporting Capital Assets		3,383,495

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. (898,468)

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.

Amortization of Premium from Bond	50,336	
Amortization of Deferred Outflow of Resources-Refunding	(26,735)	
Proceed from Issuance of Bond	(282,674)	
Principal Payments on Bonds	2,285,101	
Net Effect of Reporting Long Term Debt		2,026,028

In the governmental funds, gains/losses on the disposal of capital assets is not reported whereas, in the statement of activities, they are reported. 25,000

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. (9,503)

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	(32,191)	
Other Post Employment Benefits Payable	(429,963)	
Net Pension Liability	(533,651)	
Net Effect of Reporting Other Items		(995,805)

Change in net position of governmental activities	\$ 4,289,406
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Town of Littleton, Massachusetts  
Proprietary Funds  
Statement of Net Position  
June 30, 2017  
(Except for the Electric Activity, Which is December 31, 2016)

	Business Type Activities			
	Electric <u>Light</u>	<u>Water</u>	Park and <u>Recreation</u>	<u>Total</u>
<b>Assets</b>				
Current:				
Cash and Investments	\$ 7,855,352	\$ 1,097,360	\$ 345,202	\$ 9,297,914
Accounts Receivable, Net of Allowance:				
User Charges	3,057,680	257,451	-	3,315,131
Accrued Unbilled Revenues	-	283,166	-	283,166
Merchandising and Jobbing	-	10,842	-	10,842
Other	21,041	-	-	21,041
Intergovernmental	-	40,000	-	40,000
Prepaid Expenses	479,601	-	-	479,601
Inventory	806,243	69,689	-	875,932
Noncurrent:				
Restricted Cash	726,655	-	-	726,655
Restricted Investments	9,069,470	-	-	9,069,470
Assets Not Being Depreciated	3,333,628	1,784,536	-	5,118,164
Assets Being Depreciated, Net	18,790,764	11,446,400	-	30,237,164
Total Assets	<u>44,140,434</u>	<u>14,989,444</u>	<u>345,202</u>	<u>59,475,080</u>
<b>Deferred Outflows of Resources</b>				
Debt Refunding	13,867	-	-	13,867
Pensions	1,173,843	204,933	71,825	1,450,601
Total Deferred Outflows of Resources	<u>1,187,710</u>	<u>204,933</u>	<u>71,825</u>	<u>1,464,468</u>
<b>Liabilities</b>				
Current:				
Warrants Payable	-	1,494	22,631	24,125
Accrued Payroll Payable	94,288	396	9,592	104,276
Other Liabilities	2,493,268	-	-	2,493,268
Accrued Interest Payable	3,289	49,547	-	52,836
Due to Other Funds	-	50,000	-	50,000
Compensated Absences	46,640	23,619	829	71,088
Bonds Anticipation Notes Payable	-	870,000	-	870,000
Bonds Payable	131,733	341,052	-	472,785
Noncurrent:				
Compensated Absences	229,534	55,111	-	284,645
Net Pension Liability	7,122,564	1,243,478	435,816	8,801,858
Other Post Employment Benefits Payable	52,369	276,575	-	328,944
Bonds Payable	130,000	4,367,889	-	4,497,889
Total Liabilities	<u>10,303,685</u>	<u>7,279,161</u>	<u>468,868</u>	<u>18,051,714</u>
<b>Net Position</b>				
Net Investment in Capital Assets	21,862,659	7,671,686	-	29,534,345
Unrestricted	13,161,800	243,530	(51,841)	13,353,489
Total Net Position	<u>\$ 35,024,459</u>	<u>\$ 7,915,216</u>	<u>\$ (51,841)</u>	<u>\$ 42,887,834</u>

Town of Littleton, Massachusetts  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
Fiscal Year Ended June 30, 2017  
(Except for the Electric Activity, Which is December 31, 2016)

	Business Type Activities			
	Electric Light <u>Enterprise</u>	Water <u>Enterprise</u>	Park and Recreation <u>Enterprise</u>	<u>Total</u>
Operating Revenues:				
Charges for Services	\$ 31,460,945	\$ 1,865,871	\$ 773,294	\$ 34,100,110
Debt Service Fee	-	513,176	-	513,176
Total Operating Revenues	<u>31,460,945</u>	<u>2,379,047</u>	<u>773,294</u>	<u>34,613,286</u>
Operating Expenditures:				
Purchase Power	22,376,126	-	-	22,376,126
Operating	1,034,166	298,327	736,635	2,069,128
Maintenance	853,405	1,010,506	-	1,863,911
General and Administrative	2,900,940	990,482	-	3,891,422
Depreciation	1,006,004	557,156	-	1,563,160
Total Operating Expenditures	<u>28,170,641</u>	<u>2,856,471</u>	<u>736,635</u>	<u>31,763,747</u>
Operating Income	<u>3,290,304</u>	<u>(477,424)</u>	<u>36,659</u>	<u>2,849,539</u>
Nonoperating Revenues (Expenses):				
Merchandising and Jobbing Revenues	381,760	600,997	-	982,757
Earnings on Investments	421,322	4,275	-	425,597
Intergovernmental	4,197	86,330	-	90,527
Miscellaneous	-	27,681	-	27,681
Contribution of Services to Water Department	(294,378)	-	-	(294,378)
Contribution of Services by Light Department	-	269,350	-	269,350
Contribution to Schools and Town by Light Department	(27,117)	-	-	(27,117)
Gain (Loss) on Disposition of Asset	11,000	-	-	11,000
Interest Expense	(21,572)	(144,250)	-	(165,822)
Payment to Town Indirect Costs and In Lieu of Taxes	(760,000)	-	-	(760,000)
Rental Income	-	116,041	-	116,041
Total Nonoperating Revenues (Expenses)	<u>(284,788)</u>	<u>960,424</u>	<u>-</u>	<u>675,636</u>
Change in Net Position Before Transfers	<u>3,005,516</u>	<u>483,000</u>	<u>36,659</u>	<u>3,525,175</u>
Transfers In (Out):				
Transfers from Other Funds	-	-	121,643	121,643
Total Transfers In (Out)	<u>-</u>	<u>-</u>	<u>121,643</u>	<u>121,643</u>
Change in Net Position	<u>3,005,516</u>	<u>483,000</u>	<u>158,302</u>	<u>3,646,818</u>
Total Net Position at Beginning of Year	<u>33,611,273</u>	<u>7,693,703</u>	<u>(210,143)</u>	<u>41,094,833</u>
Prior Period Adjustments	<u>(1,592,330)</u>	<u>(261,487)</u>	<u>-</u>	<u>(1,853,817)</u>
Total Net Position at Beginning of Year, as Restated	<u>32,018,943</u>	<u>7,432,216</u>	<u>(210,143)</u>	<u>39,241,016</u>
Total Net Position at End of Year	<u>\$ 35,024,459</u>	<u>\$ 7,915,216</u>	<u>\$ (51,841)</u>	<u>\$ 42,887,834</u>

Town of Littleton, Massachusetts  
Statement of Cash Flows  
Proprietary Fund  
Fiscal Year Ended June 30, 2017  
(Except for the Electric Activity, Which is for Year Ended December 31, 2016)

	<u>Electric Light</u>	<u>Water</u>	<u>Park and Recreation</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customers	\$ 31,267,001	\$ 2,378,430	\$ 773,294	\$ 34,418,725
Payments to Employees and Vendors	(27,382,237)	(1,865,903)	(822,263)	(30,070,403)
Net Cash Flows Provided (Used) by Operating Activities	<u>3,884,764</u>	<u>512,527</u>	<u>(48,969)</u>	<u>4,348,322</u>
<b>Cash Flows from Non Capital Related Financing Activities:</b>				
Merchandising and Jobbing Revenue	476,650	617,629	-	1,094,279
Intergovernmental	4,197	46,330	-	50,527
Rental Income	-	116,041	-	116,041
Miscellaneous	-	27,681	-	27,681
Payment to Town Indirect Costs and In Lieu of Taxes	(760,000)	-	-	(760,000)
Contribution of Services to Water Department	(294,378)	-	-	(294,378)
Contribution to Schools and Town by Light Department	(27,117)	-	-	(27,117)
Transfers In (Out)	-	-	121,643	121,643
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	<u>(600,648)</u>	<u>807,681</u>	<u>121,643</u>	<u>328,676</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and Construction of Capital Assets	(3,351,374)	(962,209)	-	(4,313,583)
Capital Lease Payments	-	(17,060)	-	(17,060)
Proceeds from Bond Anticipation Notes	-	870,000	-	870,000
Retirement of Bond Anticipation Note	-	(870,000)	-	(870,000)
Principal Payments on Bonds	(133,467)	(390,000)	-	(523,467)
Interest Expense	(16,120)	(152,975)	-	(169,095)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(3,500,961)</u>	<u>(1,522,244)</u>	<u>-</u>	<u>(5,023,205)</u>
<b>Cash Flows from Investing Activities:</b>				
Earnings on Investments	421,322	4,275	-	425,597
Net Cash Flows Provided (Used) by Investing Activities	<u>421,322</u>	<u>4,275</u>	<u>-</u>	<u>425,597</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>204,477</u>	<u>(197,761)</u>	<u>72,674</u>	<u>79,390</u>
Cash and Cash Equivalents at Beginning of Year	18,873,735	1,556,608	272,528	20,702,871
Prior Period Adjustment	(1,426,735)	(261,487)	-	(1,688,222)
Cash and Cash Equivalents at Beginning of Year, as Restated	17,447,000	1,295,121	272,528	19,014,649
Cash and Cash Equivalents at End of Year	<u>\$ 17,651,477</u>	<u>\$ 1,097,360</u>	<u>\$ 345,202</u>	<u>\$ 19,094,039</u>
<b>Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 3,290,304	\$ (477,424)	\$ 36,659	\$ 2,849,539
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense	1,006,004	557,156	-	1,563,160
Contribution of Services by Light Department	-	269,350	-	269,350
(Increase) Decrease in Accounts Receivable	(193,944)	(617)	-	(194,561)
(Increase) Decrease in Deferred Outflows of Resources	-	(113,275)	(27,708)	(140,983)
(Increase) Decrease in Prepayments	123,258	-	-	123,258
Increase (Decrease) in Payroll and Accounts Payable	-	(2,878)	8,418	5,540
Increase (Decrease) in Accrued Liabilities	(340,858)	-	(14,838)	(355,696)
Increase (Decrease) in Compensated Absences Payable	-	20,283	(9,666)	10,617
Increase (Decrease) in Net Pension Liability	-	212,128	(41,834)	170,294
Increase (Decrease) in Other Post Employment Benefits Payable	-	(2,196)	-	(2,196)
Increase (Decrease) in Other Liabilities	-	50,000	-	50,000
Net Cash Provided by Operating Activities	<u>\$ 3,884,764</u>	<u>\$ 512,527</u>	<u>\$ (48,969)</u>	<u>\$ 4,348,322</u>
<b>Schedule of Noncash Capital and Related Financing Activities</b>				
Purchase of Assets on Account	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Littleton, Massachusetts  
Fiduciary Funds  
Statement of Net Position  
June 30, 2017  
(Except for the Electric OPEB Trust, Which is for Year Ended December 31, 2016)

	Private Purpose Trust Fund <u>Charity</u>	Town Other Post Employment Benefits <u>Trust</u>	Electric Light Other Post Employment Benefits <u>Trust</u>	Agency <u>Funds</u>
<b>Assets</b>				
Cash and Cash Investments	\$ 1,652,235	\$ -	\$ 1,767,767	\$ 570,143
Investments:				
Domestic Equities	-	2,459,761	-	-
Fixed Income	-	2,210,231	-	-
International Equities	-	1,450,975	-	-
Cash and Equivalents	-	750,014	-	-
Other	-	238,156	-	-
	<u>1,652,235</u>	<u>7,109,137</u>	<u>1,767,767</u>	<u>570,143</u>
<b>Liabilities</b>				
Warrants Payable	-	-	-	16,078
Accrued Salaries Payable	-	-	-	246,437
Employees' Withholding Payable	-	-	-	174,136
Other	-	-	-	133,492
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>570,143</u>
<b>Net Position</b>				
Held in Trust for:				
Other Post Employment Benefits	-	7,109,137	1,767,767	-
Other Purposes	<u>1,652,235</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 1,652,235</u>	<u>\$ 7,109,137</u>	<u>\$ 1,767,767</u>	<u>\$ -</u>

Town of Littleton, Massachusetts  
Fiduciary Funds  
Statement of Changes in Net Position  
Fiscal Year Ended June 30, 2017  
(Except for the Electric OPEB Trust, Which is for Year Ended December 31, 2016)

	Private Purpose Trust Fund <u>Charity</u>	Town Other Post Employment Benefits <u>Trust</u>	Electric Light Other Post Employment Benefits <u>Trust</u>
Additions:			
Employer Contributions	\$ -	\$ 1,959,853	\$ 465,102
Interest, Dividends, and Other	143,579	541,215	91,032
Total Additions	<u>143,579</u>	<u>2,501,068</u>	<u>556,134</u>
Deductions:			
Premiums	-	811,562	215,102
Scholarships	71,500	-	-
Total Deductions	<u>71,500</u>	<u>811,562</u>	<u>215,102</u>
Change in Net Position	<u>72,079</u>	<u>1,689,506</u>	<u>341,032</u>
Net Position:			
Beginning of the Year	<u>1,580,156</u>	<u>5,158,144</u>	<u>-</u>
Prior Period Adjustment	<u>-</u>	<u>261,487</u>	<u>1,426,735</u>
Fund Balance, Beginning as Restated	<u>1,580,156</u>	<u>5,419,631</u>	<u>1,426,735</u>
Ending of the Year	<u>\$ 1,652,235</u>	<u>\$ 7,109,137</u>	<u>\$ 1,767,767</u>

Town of Littleton, Massachusetts  
Notes to the Financial Statements  
June 30, 2017 (December 31, 2016 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, 2017, 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 fund:

**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 accounting for in another fund.

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 of 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 1<sup>st</sup> 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 and deferred outflows of resources related to debt exclusions.

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>Non Major Funds</u>	<u>Total</u>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Cemetery Perpetual Care	\$ -	\$ 193,025	\$ 193,025
Culture and Recreation	-	50,242	50,242
Education	-	609,121	609,121
Library	-	719,248	719,248
<b>Total Nonspendable</b>	<u>-</u>	<u>1,571,636</u>	<u>1,571,636</u>
<b>Restricted:</b>			
After School Programs	-	523,824	523,824
Community Preservation	-	1,854,925	1,854,925
Community Septage Management	-	116,447	116,447
Local Access Television	-	491,844	491,844
Alumni Field Design	-	339,398	339,398
Special Education	-	812,991	812,991
Cemetery Perpetual Care	-	253,295	253,295
Fire Station	-	315,563	315,563
Library	-	822,337	822,337
General Government	-	688,391	688,391
Public Safety	-	172,262	172,262
Education	-	2,814,660	2,814,660
Highways and Public Works	-	140,805	140,805
Human Services	-	91,836	91,836
Culture and Recreation	-	134,043	134,043
Debt Service	263,845	-	263,845
<b>Total Restricted:</b>	<u>263,845</u>	<u>9,572,621</u>	<u>9,836,466</u>

	<u>General Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
<b>Committed:</b>			
Ambulance Services	-	789,815	789,815
Building Department	-	169,887	169,887
Clean Lakes Projects	-	374,817	374,817
Financial Software	350,000	-	350,000
Fire Station	386,739	-	386,739
Fuel Facility	136,762	-	136,762
Library Roof	127,020	-	127,020
Debt Services	166,574	-	166,574
Sewer Strategic Plan	451,920	-	451,920
Capital Outlay	42,141	-	42,141
General Government	560,734	83,293	644,027
Public Safety	32,809	35,677	68,486
Education	88,145	3,449	91,594
Highways and Public Works	142,224	123,057	265,281
Human Services	1,141	-	1,141
Culture and Recreation	155,580	-	155,580
Debt Service	534,525	-	534,525
<b>Total Committed:</b>	<u>3,176,314</u>	<u>1,579,995</u>	<u>4,756,309</u>
<b>Assigned:</b>			
Construction & Maintenance	1,608,486	-	1,608,486
General Government	108,908	-	108,908
Public Safety	40,000	-	40,000
Education	78,457	-	78,457
Highways and Public Works	194,923	-	194,923
Human Services	5,238	-	5,238
<b>Total Assigned:</b>	<u>2,036,012</u>	<u>-</u>	<u>2,036,012</u>
<b>Unassigned:</b>	<u>12,145,643</u>	<u>(979,529)</u>	<u>11,166,114</u>
<b>Total Fund Balances</b>	<u>\$ 17,621,814</u>	<u>\$ 11,744,723</u>	<u>\$ 29,366,537</u>

#### 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 \$2,051,590. 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 \$42,141 and \$534,525, 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 2017 adjusted for any special Town meeting votes applicable to fiscal 2017 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, 2017.

	<u>Revenues</u>
As Reported Budget Basis	\$ 44,362,612
Adjustments:	
Sixty Day Accrual - Net	(209,660)
Earning Income of Stabilization Fund Reported in Statement of Revenues, Expenditures, and Changes in Fund Balances	19,022
State Contributions for Pensions Included in Intergovernmental	3,610,631
As Reported GAAP Statement	<u>\$ 47,782,605</u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 41,411,987
Adjustments:	
July 1, 2016 Encumbrances	4,473,033
June 30, 2017 Encumbrances	(3,706,585)
Prepaid Expenditures	(105,797)
State Contributions for Pensions Included in Employee Benefits	3,610,631
As Reported GAAP Statement	<u>\$ 45,683,269</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, 2017, \$44,044,628 of the Town's bank balance of \$11,124,789 was exposed to credit risk as follows:

Uninsured and Uncollateralized    \$ 11,124,789

ii) Investments

a.) As of June 30, 2017, the Town had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>5-10</u>
U. S. Government Obligations	\$ 5,723,546	\$ 586,189	\$ 3,817,968	\$ 1,319,389
Corporate Bonds	1,347,622	150,299	1,101,467	95,856
Total Debt Related Securities	<u>\$ 7,071,168</u>	<u>\$ 736,488</u>	<u>\$ 4,919,435</u>	<u>\$ 1,415,245</u>

**Other Investments:**

Money Market Funds	\$ 284,938
Mutual Funds	14,995,115
Equities	3,228,189
Mass. Municipal Depository Trust	3,535,823
Total Other Investment	<u>22,044,065</u>
Total Investments	<u><u>\$ 29,115,233</u></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, 2017:

		<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	<u>Total</u>			
Investment by Fair Value Level:				
U. S. Treasuries	\$ 5,723,546	\$ 5,723,546	\$ -	\$ -
Corporate Bonds	1,347,622	-	1,347,622	-
Money Market Mutual Funds	284,938	284,938	-	-
Mutual Funds	14,995,115	14,995,115	-	-
Common Stock	3,228,189	3,228,189	-	-
Total Assets in the Fair Value Hierarchy	<u>25,579,410</u>	<u>24,231,788</u>	<u>1,347,622</u>	<u>-</u>
Investments Not Subject to Fair Value Hierarchy reporting:				
Massachusetts Municipal Depository Trust	<u>3,535,823</u>			
Total Investments	<u>\$ 29,115,233</u>			

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, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Land	\$ 11,664,885	\$ 205,000	\$ -	\$ 11,869,885
Work in Progress	456,755	3,815,551	(379,400)	3,892,906
Total Capital Assets not Being Depreciated	<u>12,121,640</u>	<u>4,020,551</u>	<u>(379,400)</u>	<u>15,762,791</u>
Assets Being Depreciated:				
Buildings	77,028,132	521,627	-	77,549,759
Improvements Other Than Buildings	926,472	276,771	-	1,203,243
Infrastructure	25,722,050	834,474	-	26,556,524
Equipment	4,043,141	533,239	(192,942)	4,383,438
Vehicles	4,802,013	970,142	(240,502)	5,531,653
Total Capital Assets Being Depreciated	<u>112,521,808</u>	<u>3,136,253</u>	<u>(433,444)</u>	<u>115,224,617</u>
Less Accumulated Depreciation for:				
Buildings	(30,854,420)	(2,198,436)	-	(33,052,856)
Improvements Other Than Buildings	(133,927)	(61,375)	-	(195,302)
Infrastructure	(14,673,177)	(511,528)	-	(15,184,705)
Equipment	(2,779,331)	(217,184)	192,942	(2,803,573)
Vehicles	(3,498,571)	(380,386)	240,502	(3,638,455)
Total Accumulated Depreciation	<u>(51,939,426)</u>	<u>(3,368,909)</u>	<u>433,444</u>	<u>(54,874,891)</u>
Capital Assets Being Depreciated, Net	<u>60,582,382</u>	<u>(232,656)</u>	<u>-</u>	<u>60,349,726</u>
Governmental Activities Capital Assets, Net	<u>\$ 72,704,022</u>	<u>\$ 3,787,895</u>	<u>\$ (379,400)</u>	<u>\$ 76,112,517</u>

## B. Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 97,463
Public Safety	678,904
Education	1,925,138
Highways and Public Works	651,355
Human Services	3,400
Culture and Recreation	12,649
Total Governmental Activities Depreciation Expense	<u>\$ 3,368,909</u>

### **Business-Type Activities:**

<u>Electric Light</u>	<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>1,312,676</u>	<u>2,020,952</u>	<u>-</u>	<u>3,333,628</u>
Assets Being Depreciated:				
Other Depreciable Assets	<u>33,533,439</u>	<u>1,341,422</u>	<u>(554,490)</u>	<u>34,320,371</u>
Total Capital Assets Being Depreciated	<u>33,533,439</u>	<u>1,341,422</u>	<u>(554,490)</u>	<u>34,320,371</u>
Less Accumulated Depreciation for:				
Other Depreciable Assets	<u>(15,078,093)</u>	<u>(1,006,004)</u>	<u>554,490</u>	<u>(15,529,607)</u>
Total Accumulated Depreciation	<u>(15,078,093)</u>	<u>-</u>	<u>554,490</u>	<u>(15,529,607)</u>
Capital Assets Being Depreciated, Net	<u>18,455,346</u>	<u>1,341,422</u>	<u>-</u>	<u>18,790,764</u>
Electric Light Capital Assets, Net	<u>\$ 19,768,022</u>	<u>\$ 3,362,374</u>	<u>\$ -</u>	<u>\$ 22,124,392</u>
<u>Water</u>				
Land	\$ 722,747	\$ 211,481	\$ -	\$ 934,228
Construction in Progress	579,337	270,971	-	850,308
Total Capital Assets not Being Depreciated	<u>1,302,084</u>	<u>482,452</u>	<u>-</u>	<u>1,784,536</u>
Other Depreciable Assets	<u>18,915,445</u>	<u>479,757</u>	<u>(80,587)</u>	<u>19,314,615</u>
Total Capital Assets Being Depreciated	<u>18,915,445</u>	<u>479,757</u>	<u>(80,587)</u>	<u>19,314,615</u>
Less Accumulated Depreciation for:				
Other Depreciable Assets	<u>(7,391,646)</u>	<u>(557,156)</u>	<u>80,587</u>	<u>(7,868,215)</u>
Total Accumulated Depreciation	<u>(7,391,646)</u>	<u>-</u>	<u>80,587</u>	<u>(7,868,215)</u>
Capital Assets Being Depreciated, Net	<u>11,523,799</u>	<u>479,757</u>	<u>-</u>	<u>11,446,400</u>
Water Capital Assets, Net	<u>\$ 12,825,883</u>	<u>\$ 962,209</u>	<u>\$ -</u>	<u>\$ 13,230,936</u>

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

Electric Light	\$ 1,006,004
Water	557,156
Total Business-Type Activities Depreciation Expense	<u>\$ 1,563,160</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

2017	\$ 300,579
2016	106

Total Real Estate Taxes	\$ 300,685
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Personal Property Taxes

2017	10,096
2016	10,632
2014	1,402
2013	11,231

Total Personal Property Taxes	33,361
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Community Preservation Act Taxes

2017	2,534
2015	

Total Community Preservation Act Taxes	2,534
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Total Property Taxes	\$ 336,580
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Tax Liens	\$ 257,541
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C. Accounts Receivable (Continued)

Excise Taxes Receivable:  
Motor Vehicle Excise Tax

2017	\$	154,854
2016		18,806
2015		10,534
2014		6,312
2013		3,121
2012		1,767
2011		2,480
2010		2,356
2009		2,636
2008		<u>773</u>

Total Excise Tax		\$	<u><u>203,639</u></u>
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User Charge - Ambulance		\$	<u><u>89,681</u></u>
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Special Assessments:

Water Betterment Principal 2017	\$	205
Water Betterment Committed Interest 2017		<u>92</u>

	\$	<u><u>297</u></u>
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Intergovernmental:

Due from Commonwealth of Massachusetts		
School Building Projects	\$	207,863
Other Grants		<u>42,793</u>

Total Current Intergovernmental		\$	<u><u>250,656</u></u>
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Noncurrent

Intergovernmental:

Due from Commonwealth of Massachusetts		
School Building Projects	\$	<u><u>415,726</u></u>

Special Assessments - Not Yet Due:

Street Assessments	\$	30,737
Water Betterments		9,305
Septic Betterments		<u>248,081</u>

Total Special Assessments - Not Yet Due		\$	<u><u>288,123</u></u>
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C. Accounts Receivable (Continued)

Business Type Activities

User Charges:

Accrued Unbilled Water	\$ 283,166	
Electric Light	3,057,680	
Water Rates	257,451	
Total User Charges		\$ 3,598,297

Merchandising and Jobbing:

Water	\$ 10,842	
Total Merchandising and Jobbing Charges		\$ 10,842

Intergovernmental:

Due from Intergovernmental		\$ 40,000
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Other:

Electric Light	\$ 21,041	
Total Other		\$ 21,041

D. Debt

i Short Term Debt

The Town has various bond anticipation notes payable outstanding as of June 30, 2017 as follows:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>	<u>Net Interest Rate</u>	<u>Maturity Date</u>
<u>Governmental Activities:</u>						
<u>Bond Anticipation Notes</u>						
Roadway Improvements	\$ 2,000,000	\$ 1,000,000	\$ 2,000,000	\$ 1,000,000	0.90%	9/1/2017
Church Meadows	141,500	-	141,500	-		
Septic Loan Program	282,674	-	282,674	-		
Alumni Field	-	2,536,000	-	2,536,000	1.27%	3/29/2018
Fire Station	-	5,959,000	-	5,959,000	1.03%	5/18/2018
Total Notes Payable Governmental Activities	\$ 2,424,174	\$ 9,495,000	\$ 2,424,174	\$ 9,495,000		
<u>Business Type Activities:</u>						
<u>Bond Anticipation Notes</u>						
Route 119 Project	\$ 870,000	\$ 870,000	\$ 870,000	\$ 870,000	1.25%	9/1/2017



## D. Debt

### 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, 2017 are as follows:

#### (a) General Obligation Bonds Outstanding at June 30, 2017

<u>Governmental Activities:</u>	Fiscal Year	Original	Net	Fiscal Year	Balance			Balance
<u>General Obligation Bond</u>	<u>Sale Date</u>	<u>Borrowing</u>	<u>Interest Rates</u> <u>to Maturities</u>	<u>Final Maturity</u>	<u>July 1, 2016</u>	<u>Issued</u>	<u>Redeemed</u>	<u>June 30, 2017</u>
Septic Loan Program #1	1999	199,807	5.47%	2017	\$ 11,101	\$ -	\$ 11,101	\$ -
Water Mains - Matawanakee Betterment	1999	450,000	4.41%	2019	60,000	-	20,000	40,000
Septic Loan Program #2	2003	189,474	4.83%	2021	53,833	-	10,353	43,480
Land Acquisition - Prouty	2005	323,955	4.01%	2024	200,000	-	25,000	175,000
Land Acquisition - Hartwell	2005	575,000	3.98%	2023	210,000	-	30,000	180,000
Sewer - WWTS	2005	1,760,000	4.03%	2025	770,000	-	90,000	680,000
Building Remodeling - Fire House Refunding	2007	77,050	3.41%	2017	5,000	-	5,000	-
Land Acquisition - Frost Whit refunding	2007	322,175	3.49%	2016	35,000	-	35,000	-
School Project - Shaker Lane - Refunding	2007	2,352,000	3.72%	2019	744,800	-	251,532	493,268
Middle School - Low Int Ln	2008	2,142,297	2.00%	2029	1,392,492	-	107,115	1,285,377
Middle School	2008	7,554,000	3.96%	2027	4,295,000	-	400,000	3,895,000
Land Acquisition - Lucy's Land	2010	150,000	3.33%	2029	90,000	-	10,000	80,000
Building Remodeling - Houghton Roof	2010	195,000	3.48%	2029	130,000	-	10,000	120,000
Architectural Services Police Station Design	2010	300,000	3.38%	2028	180,000	-	15,000	165,000
Police Station Construction	2010	6,023,303	3.49%	2029	4,100,000	-	320,000	3,780,000
Architectural Services - RSS Design	2011	232,800	3.55%	2031	155,000	-	15,000	140,000
Land Acquisition - Cobbs Land -								
Community Preservation Act	2011	323,955	3.56%	2031	225,000	-	15,000	210,000
Water Mains - Goldsmith St	2011	1,094,400	3.58%	2031	815,000	-	55,000	760,000
School Project - RSS Construction	2011	5,428,845	3.59%	2031	4,050,000	-	270,000	3,780,000
Police Land-Refunding	2013	228,000	1.21%	2022	145,000	-	25,000	120,000
Land Acq - Morrison-Refunding	2013	724,000	0.87%	2020	380,000	-	100,000	280,000
High School-Refunding	2013	3,883,000	1.14%	2023	2,120,000	-	465,000	1,655,000
Septic Loan Program	2017	282,674	2.00%	2037	-	282,674	-	282,674
Total Governmental Activities					<u>\$ 20,167,226</u>	<u>\$ 282,674</u>	<u>\$ 2,285,101</u>	<u>\$ 18,164,799</u>

## D. Debt (Continued)

### Business Type Activities:

<u>General Obligation Bond</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturities</u>	<u>Final Maturity</u>	<u>Balance July 1, 2016</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2017</u>
Electric Light Department - Refunding	2007	1,248,000	3.72%	2018	\$ 395,200	\$ -	\$ 133,467	\$ 261,733
Land Acquisition - Nashoba Rd - Water	2005	350,000	3.98%	2023	130,000	-	20,000	110,000
Water - Ultrafiltration #2 - Refunding	2007	414,225	3.49%	2017	45,000	-	45,000	-
Water Mains - Capital	2010	191,088	3.49%	2029	130,000	-	10,000	120,000
Water Equipment - Ozone Generator	2010	86,099	1.82%	2018	10,000	-	5,000	5,000
Water Tank-Refunding	2013	652,000	1.31%	2023	430,000	-	70,000	360,000
Water Capital Improvement	2015	274,200	3.00%-3.25%	2035	260,000	-	15,000	245,000
Well Redevelopment	2015	3,720,000	3.00%-3.25%	2035	3,530,000	-	190,000	3,340,000
Water Cobbs Well	2015	178,800	3.00%	2032	165,000	-	15,000	150,000
Water Capital Improvement Well #2	2015	118,300	3.00%	2027	110,000	-	10,000	100,000
Well #2 Design	2015	194,700	3.00%-3.25%	2034	180,000	-	10,000	170,000
Total Business Type Activities					\$ 5,385,200	\$ -	\$ 523,467	4,861,733

### (b) Summary of Debt Service Requirements to Maturity

<u>Fiscal Year Ended</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ -	\$ -	\$ 131,733	\$ 11,115	\$ 131,733	\$ 11,115
2018	2,167,168	625,182	465,000	139,505	2,632,168	764,687
2019	2,114,151	558,436	330,000	124,343	2,444,151	682,779
2020	1,790,440	496,195	320,000	115,330	2,110,440	611,525
2021	1,645,699	439,737	320,000	106,305	1,965,699	546,042
2022	1,569,576	383,675	310,000	96,980	1,879,576	480,655
2023-2027	6,442,065	1,143,363	1,270,000	359,800	7,712,065	1,503,163
2028-2032	2,353,262	198,277	1,110,000	180,812	3,463,262	379,089
2032-2035	82,438	5,017	605,000	29,169	687,438	34,186
Total	<u>\$18,164,799</u>	<u>\$3,849,882</u>	<u>\$4,861,733</u>	<u>\$1,163,359</u>	<u>\$23,026,532</u>	<u>\$5,013,241</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, 2017, are as follows:

11/14/12	Road Program	\$500,000	
05/06/13	Septic Loan Program	17,326	Rescinded 11/30/17
05/05/14	Water Betterment Rt 119	870,000	
05/05/14	Roadway Improvement	500,000	
05/04/15	Roadway Improvement	1,000,000	
11/16/16	Land Purchase Boxborough Road	403,758	Rescinded 11/30/17
11/16/16	Alumni Field	3,836,000	
11/16/16	Fire Station	6,000,000	
11/16/16	Williams Road	400,000	Rescinded 11/30/17
05/01/17	Williams Road	<u>300,000</u>	
	Total	<u>\$13,827,084</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 Bonds Principal & Interest	Old Bonds Principal & Interest	Annual Savings
2018	\$400,734	\$414,420	\$13,686
2019	<u>250,818</u>	<u>392,980</u>	<u>142,162</u>
Total	<u>\$651,552</u>	<u>\$807,400</u>	<u>\$155,848</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 Bonds Principal & Interest	Old Bonds Principal & Interest	<u>Change</u>
2018	\$630,862	\$1,767,476	\$1,136,614
2019	574,912	1,705,376	1,130,464
2020	503,100	1,636,376	1,133,276
2021	350,900	1,467,376	1,116,476
2022	279,200	1,403,376	1,124,176
2023	<u>193,800</u>	<u>1,309,375</u>	<u>1,115,575</u>
	<u>\$2,532,774</u>	<u>\$9,289,355</u>	<u>\$6,756,581</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, 2017 are as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
<b><u>Governmental Activities</u></b>					
Bonds Payable	\$ 20,167,226	\$ 282,674	\$ (2,285,101)	\$ 18,164,799	\$ 2,167,168
Add: Unamortized Premium	352,354	-	(50,336)	302,018	50,336
Total Bonds Payable	20,519,580	282,674	(2,335,437)	18,466,817	2,217,504
Compensated Absences	319,311	159,915	(127,724)	351,502	140,601
Net Pension Liability	13,306,495	3,479,955	(1,629,194)	15,157,256	-
Other Post Employment Benefits	15,247,464	2,289,475	(1,859,512)	15,677,427	-
Total Governmental Activities	\$ 49,392,850	\$ 6,212,019	\$ (5,951,867)	\$ 49,653,002	\$ 2,358,105
<b><u>Business Type Activities</u></b>					
Bonds Payable	\$ 5,385,200	\$ -	\$ (523,467)	\$ 4,861,733	\$ 466,733
Plus: Premium	114,993	-	(6,052)	108,941	6,052
Less: Bond Discount	-	-	-	-	-
Total Bonds Payable	5,500,193	-	(529,519)	4,970,674	472,785
Compensated Absences	329,431	106,372	(80,070)	355,733	71,088
Capital Leases Payable	17,060	-	(17,060)	-	-
Net Pension Liability	8,090,814	1,657,122	(946,078)	8,801,858	-
Other Post Employment Benefits	559,795	390,849	(621,700)	328,944	-
Total Business Type Activities	\$ 14,497,293	\$ 2,154,343	\$ (2,194,427)	\$ 14,457,209	\$ 543,873

## 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

	Transfers In	Transfers (Out)	Total
General Fund	\$ 1,245,337	\$ (4,256,117)	\$ (3,010,780)
Non-Major Governmental	4,072,974	(1,183,837)	2,889,137
Enterprise - Business Type	121,643	-	121,643
Total	\$ 5,439,954	\$ (5,439,954)	\$ -

## 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/2017/07/FINAL-MCRS-Audit-Report-of-Financial-Statements-12-31-2016.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>Hired after April 1 2012</u>	<u>Group 4</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, 2017 was 23.24% 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 \$2,575,271 for the year ending June 30, 2017.

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

At June 30, 2017, the Town reported a liability of \$23,959,114 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2016, the Town's proportion was 1.690981%.

For the year ended June 30, 2017, the Town recognized pension expense of \$3,090,074. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 107,904	\$ -
Change in assumptions	1,305,448	-
Net differences between projected and actual earnings on pension plan investments	994,732	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,540,527	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 3,948,611</u>	<u>\$ -</u>

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
2018	\$ 1,112,694
2019	1,112,693
2020	1,095,538
2021	627,686
Total	<u>\$ 3,948,611</u>



### Actuarial Assumptions

The total pension 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 that was updated to December 31, 2016:

<b>Valuation date</b>	January 1, 2016			
<b>Actuarial Cost Method</b>	Entry age normal cost method			
<b>Amortization Method</b>	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.			
<b>Remaining Amortization Period</b>	As of July 1, 2016, 3 years remaining for the 2002 ERI liability; 4 years remaining for the 2003 ERI liability; 6 years remaining for the 2010 ERI liability and 19 years for the remaining unfunded liability.			
<b>Asset Valuation Method</b>	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.			
<b>Investment Rate of Return/Discount Rate</b>	7.75% net of pension plan investment expense, including inflation (7.875% in previous valuation)			
<b>Inflation Rate</b>	3.50% (4.0% in previous valuation)			
<b>Projected Salary Increases</b> (The ultimate values in the previous valuation were 4.75% for Group 1 and 5.25% for Group 4)	<u>Years of Service</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
	0	6.00%	6.00%	7.00%
	1	5.50%	5.50%	6.50%
	2	5.50%	5.50%	6.00%
	3	5.25%	5.25%	5.75%
	4	5.25%	5.25%	5.25%
	5	4.75%	4.75%	5.25%
	6	4.75%	4.75%	4.75%
	7	4.50%	4.50%	4.75%
	8	4.50%	4.50%	4.75%
	9+	4.25%	4.50%	4.75%
<b>Cost of Living Adjustments</b>	3.00% of first \$14,000			
<b>Rates of Retirement</b>	Varies based upon age for general employees, police and fire employees.			
<b>Rates of Disability</b>	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).			
<b>Mortality Rates were based on the tables noted below:</b>				
Healthy:				
Pre-Retirement	RP-2000 Employee Mortality Table projected generationally from 2009 with Scale BB2D (previously, RP- Employee Mortality Table projected 22 years with scale AA)			
Health Retiree	RP-2000 Health Annuitant Mortality Table projected generationally from 2009 with Scale BB2D (previously, RP- Healthy Annuitant Mortality Table projected 17 years with scale AA)			
Disabled	RP-2000 Health Annuitant Mortality Table projected generationally from 2015 using Scale BB2D (previously Healthy Annuitant Mortality Table set forward 3 years projected 17 years with Scale AA)			

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 RP-2000 Employee Mortality Table projected generationally from 2009 with Scale BB2D and the RP-2000 Healthy Annuitant Mortality Table generationally from 2009 with Scale BB2D were determined to contain provisions appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience of the 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	19.50%	7.50%
International Developed Markets Equity	16.80%	7.83%
Emerging Markets Equity	6.90%	9.61%
Core Fixed Income	12.30%	3.75%
Value Added Fixed Income	8.30%	7.26%
Private Equity	11.10%	9.50%
Real Estate	10.00%	6.50%
Timber/Natural Resources	3.60%	6.00%
Hedge Funds	9.00%	6.48%
Liquidating Portfolios	0.40%	6.48%
Portfolio Completion Strategies	1.10%	6.48%
Overlay	1.00%	6.48%
	<u>100.00%</u>	

#### Rate of Return

The annual money-weighted rate of return on pension plan investments for December 31, 2016 (net of investment expenses) was 7.35%. (0.61% for December 31, 2015). 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 7.75% (7.875 % 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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Town's proportionate share of the Net Pension Liability	\$ 28,932,804	\$ 23,959,114	\$ 19,755,664

*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/2017/07/FINAL-MCRS-Audit-Report-of-Financial-Statements-12-31-2016.pdf>

c. Massachusetts Teachers Retirement System

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, 2017, the Town's proportionate share of the collective pension expense was \$3,610,631. 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, 2017, or fund balance/net position at June 30, 2017.

The Commonwealth's proportionate share of net pension liability associated with the Town is \$35,396,068.

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.mass.gov/comptroller/docs/reports-audits/cafr/2016-cafr.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

#### Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. 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 Employees table projected generationally with Scale BB and a base year 2014 (gender distinct)
- 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

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, 2016 are summarized in the following table:

	Target <u>Allocation</u>	Long Term Expected Rate of Return <u>2016</u>
Global Equity	40.00%	6.90%
Core fixed income	13.00%	1.60%
Private Equity	10.00%	8.70%
Real Estate	10.00%	4.60%
Value Added Fixed Income	10.00%	4.80%
Hedge Funds	9.00%	4.00%
Portfolio Completion Strategies	4.00%	3.60%
Timber/Natural Resources	4.00%	5.40%
	<u>100%</u>	

Discount Rate

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

Since the Town is not responsible for its proportionate share of the collective net pension liability, a sensitivity analysis of the discount rate is not required.

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.mass.gov/mtrs/docs/financial-reports/gasb68report-06302016.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 current reporting period. GASB Statement #74 relates to reporting requirements of the Town's OPEB Trust fund. The net other post-employment benefits **liability** reported in the GASB Statement #74 disclosures differs from the net other post-employment benefits obligation amount reported in the Town's statement of net position. The reporting requirements related to the Town's statement of net position are currently 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 is being "phased in" over a thirty year period. Concurrent with GASB Statement #74, the GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement #75 (which becomes effective for the June 30, 2018 reporting period) eliminates the thirty year phase in of the other post-employment benefits liability. Therefore, the net other post employment liability reported in the Town's June 30, 2018 statement of net position will agree with the GASB Statement #74 disclosures related to the Town's OPEB Trust.

The Electric Light Department's Other Post Employment Benefits Trust fund is separately stated from the Town's (in the fiduciary fund statements) because the Electric Light Department is established under a separate section of Massachusetts General Laws. The disclosures required under GASB Statement #74 for the Electric Light Department are not included in the Town's financial statements because the implementation date for GASB Statement #74 is effective for fiscal years beginning after June 16, 2016. The Electric Light Department's financial statements included in this report are for the period beginning January 1, 2016,

**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 Commissioners and the Town's Treasurer.

*Plan Membership:* At June 30, 2017, the plans membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	138
Active Plan Members	<u>356</u>
Total	494

*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.

The Town's appropriation to the OPEB trust for the 2017 fiscal year is \$1,148,291 (not including Electric Light Fund and will increase by a minimum of 10% from the previous year's appropriation plus an additional \$120,000 until the annual required contribution (ARC) is met. Once met, the Town will maintain funding levels at the calculated ARC.

### **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 Board of 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 following was the adopted asset allocation policy as of June 30, 2017:

	<u>Target Allocation</u>
Domestic Equities	35%
Fixed Income	25%
International Equities	20%
Other	<u>20%</u>
	<u>100%</u>

### *Concentrations*

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

### *Rate of Return*

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 8.66%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### **Net OPEB Liability**

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

Total OPEB Liability	\$23,823,488
Plan Fiduciary Net Position	<u>(7,109,137)</u>
Net OPEB Liability	<u><u>\$16,714,351</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability	29.84%
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*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Investment Rate of Return	7.50% net of investment expenses, including inflation
Health Cost Trend Rates	8.0% decreasing by 1.0% 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 fully generational mortality improvement using scale BB.
Post-Retirement - General and Public Safety Employees	P-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using scale BB
Pre-Retirement Mortality - Teachers	RP-2014 Employees Mortality Table, base year 2014, projected with generational mortality improvement using scale BB.
Post-Retirement Mortality - Teachers	RP-2014 Healthy Annuitant Mortality Table, base year 2014, projected with generational mortality improvement using scale BB.

*Changes in Assumption:*

The actuarial cost method was changed from projected unit credit method to the entry age normal method.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, are summarized in the table below:

	Long Term Expected <u>Rate of Return</u>
Domestic Equities	5.05%
Fixed Income	2.46%
International Equities	5.80%
Other	4.80%



*Discount rate:* The discount rate used to measure the total OPEB liability was 7.5% (5.5% in the prior valuation). The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected 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.

*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 (6.5%) or 1-percentage-point higher (8.5%) 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)	\$20,221,763	\$16,714,351	\$13,858,377

*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 (7.0% decreasing to 4.0%) or 1-percentage-point higher (8.0% decreasing to 5.0%) than the current healthcare cost trend rates:

	1% Decrease (7% decreasing <u>to 4%)</u>	Healthcare Cost Trend (8% decreasing <u>to 5%)</u>	1% Increase (9% decreasing <u>to 6%.)</u>
Net OPEB Liability (asset)	\$13,207,025	\$16,714,351	\$21,308,232

#### **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 Town, an amount that has been actuarially determined in accordance with the parameters of GASB 43 and 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 Town's annual required contribution for

the fiscal year ended June 30, 2017, the amount actually contributed to the plan, and the Town's Net OPEB Obligation (NOO):

	<u>Town and Water</u>	<u>Electric Light</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$2,602,241	\$296,496	\$2,898,737
Interest on Net OPEB Obligation	853,943	21,077	875,020
Adjustment to Annual Required Contribution	(1,068,564)	(24,869)	(1,093,433)
Annual OPEB Cost (Expense)	<u>2,387,620</u>	<u>292,704</u>	<u>2,680,324</u>
Employer Contributions:			
Employer Contributions for Insurance	(811,562)	(271,359)	(1,082,921)
OPEB Trust Contributions	<u>(1,148,291)</u>	<u>(250,000)</u>	<u>(1,398,291)</u>
Total Contributions	<u>(1,959,853)</u>	<u>(521,359)</u>	<u>(2,481,212)</u>
Increase in Net OPEB Obligation	427,767	(228,655)	199,112
Net OPEB Obligation (NOO)- Beginning of Year	15,526,235	281,024	15,807,259
Net OPEB Obligation (NOO)- End of Year	<u>\$15,954,002</u>	<u>\$52,369</u>	<u>\$16,006,371</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:

**Town and Water**

<u>Fiscal Year Ended June 30</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage ARC Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$3,186,702	52.1%	\$14,189,052
2016	\$3,358,307	60.2%	\$15,526,235
2017	\$2,602,241	75.3%	\$15,954,002

**Electric Light**

<u>Fiscal Year Ended December 31</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage ARC Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$327,630	151.2%	\$503,056
2015	\$315,611	168.5%	\$281,024
2016	\$296,496	175.8%	\$52,369

**b. Funded Status and Funding Progress.**

**Town and Water**

As of July 1, 2016, the most recent actuarial valuation date, the Actuarial Accrued Liability (AAL) for benefits was \$24,656,968, and the actuarial value of assets was \$5,419,631, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$19,237,337. The actuarial value of the assets as a percentage of the Actuarial Accrued Liability (funded ratio) was 21.98%. The covered payroll as of the valuation date was \$20,907,161 and the UAAL as a percentage of covered payroll was 92.0%.

### **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%.

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 liabilities 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.

### **Town**

In the July 1, 2016, actuarial valuation, entry age normal method was used (previously the projected unit credit method was used). The actuarial assumptions included a 7.5% investment rate of return (previously 5.5%) and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% in year four. The actuarial value of assets is determined using market value. The UAAL is being amortized over a thirty year closed amortization period.

### **Electric Light Department**

In the January 1, 2016, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 7.5 percent investment rate of return (the same as the previous valuation) and an annual healthcare cost trend rate of 7 percent initially, reduced by 0.5 percent decrements to an ultimate rate of 5 percent in year five (previously 7 percent graded to 5 percent 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. Subsequent Year Authorizations

On May 1, 2017 and October 30, 2017 the Town (including the Water Enterprise Fund) adopted a fiscal year 2018 operating and capital budget of \$51,525,164. Fiscal year 2018 budgetary amounts will be financed by the following sources:

2018 Property Taxes, State Aid and Other		
Estimated Revenues	\$	42,830,231
Enterprise Fund Revenues		4,280,342
Community Preservation Fund		1,295,515
Restricted Fund Balance:		
Nonmajor Funds		632,844
Committed Fund Balance:		
General Fund		926,525
Nonmajor Funds		908,447
Overlay Surplus Released in Fiscal Year 2018		429,988
Transfer from Electric Light Department		140,378
Unassigned Fund Balance:		
General Fund		80,894
	\$	<u>51,525,164</u>

The Light Department is not subject to the appropriation process.

D. 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, 2016,, total capital expenditures amounted to \$1,636,374,000, of which \$17,400,000 represents the amount associated with the Department's Project Capability. MMWEC's debt outstanding for the Projects from Power Supply System Revenue Bonds totals \$55,795,000, of which \$268,000 is associated with the Department's share of Project Capability. As of December 31, 2016, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$59,281,000, of which \$281,000 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, 2016 and estimated for future years is shown below.

	<u>Annual Costs</u>
For years ended December 31,	
2017	\$252,000
2018	29,000
TOTAL	<u>\$281,000</u>

In addition, under the PSAs, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department's total O&M costs including debt service under the PSAs were \$1,624,000 and \$1,934,000 for the years ended December 31, 2016 and 2015, respectively.

LITTLETON ELECTRIC LIGHT DEPARTMENT  
AS OF DECEMBER 31, 2016  
(\$000)

<u>PROJECTS</u>	<u>PERCENTAGE SHARE</u>	<u>TOTAL PROJECT EXPENDITURES TO DATE</u>	<u>PARTICIPANT'S SHARE</u>	<u>DEBT ISSUED &amp; OUTSTANDING 12/31/2016</u>	<u>PARTICIPANT'S SHARE</u>	<u>TOTAL DEBT SERVICE ON BONDS OUTSTANDING</u>	<u>PARTICIPANT'S SHARE</u>
Stony Brook Peaking Project	3.0607	\$ 59,762	\$ 1,829	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	1.6654	174,182	2,901	-	-	-	-
Nuclear Mix No. 1 -SBK	1.7544	14,443	253	-	-	-	-
Nuclear Mix No. 1 -MLS	1.7544	120,538	2,115	-	-	-	-
Nuclear Project No.3 - MLS	0.7972	152,231	1,214	6,540	52	6,984	56
Nuclear Project No. 4-SBK	2.2220	351,298	7,806	8,455	188	8,802	196
Nuclear Project No. 5-SBK	0.9262	95,231	882	2,970	28	3,119	29
Wyman Project	4.5428	8,805	400	-	-	-	-
Project No. 6-SBK	-	659,884	-	37,830	-	40,376	-
<b>TOTAL</b>		<b>\$ 1,636,374</b>	<b>\$ 17,400</b>	<b>\$ 55,795</b>	<b>\$ 268</b>	<b>\$ 59,281</b>	<b>\$ 281</b>

<u>PROJECTS</u>	<u>PERCENTAGE SHARE</u>	<u>OPERATION &amp; MAINTENANCE 1/1/2016</u>	<u>PARTICIPANT'S SHARE</u>	<u>OPERATION &amp; MAINTENANCE 12/31/2016</u>	<u>PARTICIPANT'S SHARE</u>
Stony Brook Peaking Project	3.0607	\$ 3,730	\$ 114	\$ 4,008	\$ 123
Stony Brook Intermediate Project	1.6654	40,083	668	28,039	467
Nuclear Mix No. 1 -SBK	1.7544	576	10	723	13
Nuclear Mix No. 1 -MLS	1.7544	6,369	112	6,038	106
Nuclear Project No.3 - MLS	0.7972	27,329	218	22,939	183
Nuclear Project No.4 - SBK	2.2220	28,086	624	27,748	617
Nuclear Project No.5 - SBK	0.9262	7,530	70	7,615	71
Wyman Project	4.5428	2,591	118	961	44
Project No. 6 - SBK	-	52,773	-	55,538	-
<b>TOTAL</b>		<b>\$ 169,067</b>	<b>\$ 1,934</b>	<b>\$ 153,609</b>	<b>\$ 1,624</b>

LITTLETON ELECTRIC LIGHT DEPARTMENT  
AS OF DECEMBER 31, 2016  
(\$000)

<u>PROJECTS</u>	<u>PERCENTAGE SHARE</u>	2017 <u>ANNUAL COST</u>	<u>PARTICIPANT'S SHARE</u>	2018 <u>ANNUAL COST</u>	<u>PARTICIPANT'S SHARE</u>	2019 <u>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	3,639	29	3,345	27	-	-
Nuclear Project No. 4-SBK	2.2220	8,802	196	-	-	-	-
Nuclear Project No. 5-SBK	0.9262	2,884	27	235	2	-	-
Wyman Project	4.5428	-	-	-	-	-	-
Project No. 6-SBK	-	32,417	-	503	-	7,456	-
TOTAL		<u>\$ 47,742</u>	<u>\$ 252</u>	<u>\$ 4,083</u>	<u>\$ 29</u>	<u>\$ 7,456</u>	<u>\$ -</u>

<u>PROJECTS</u>	<u>PERCENTAGE SHARE</u>	2020 <u>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	-	-
Nuclear Project No.4 - SBK	2.2220	-	-
Nuclear Project No.5 - SBK	0.9262	-	-
Wyman Project	4.5428	-	-
Project No. 6 - SBK	-	-	-
TOTAL		<u>\$ -</u>	<u>\$ -</u>

E. 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 \$2,033,462.

F. Prior Period Adjustment

	Electric Light Enterprise <u>Fund</u>	Water Enterprise <u>Fund</u>	Fiduciary <u>Fund</u>
Prior period adjustments were made as follows:			
In accordance with Governmental Accounting Standards Board (GASB) statement #74, the Other Post Employment Benefits trust funds of the Electric Light Department and the Water Department are being reported as a fiduciary funds. In the past, the trust funds were reported as a component of retained earnings within their respective enterprise funds. As a result, prior period adjustments were made to reduce the enterprise fund retained earnings by the amount now being reported as a fiduciary fund.	(\$1,426,735)	(\$261,487)	\$1,688,222
The Department implemented GASB Statement #68 in fiscal year 2016. As a result, the Department's fiscal year 2015 financial statements reported amounts related to its share of the net pension liability and deferred outflows/inflows of resources related to pensions. When preparing the Department's 2015 financial statements, the Department utilized the GASB 68 reports included in the Middlesex County Retirement System's December 31, 2014 audited financial statements. The GASB 68 reports in the Middlesex County Retirement System's December 31, 2014 and December 31, 2015 audited financial statements were based on an actuarial valuation dated January 1, 2014. The actuarial report is considered too old to be utilized for the Electric Light Department's December 31, 2016 financial statements. As a result, the Department utilized the most recent GASB 68 report based on a January 1, 2016 valuation and included in the Middlesex County Retirement System's December 31, 2016 audited financial statements. The adjustment reflects the amount of the change in the net pension liability and deferred outflows/inflows that occurred in the retirement systems December 31, 2015 report.	(165,595)	-	-
Total	<u>(\$1,592,330)</u>	<u>(\$261,487)</u>	<u>\$1,688,222</u>



F. Prior Period Adjustment (Continued)

The net position of the funds before and after the adjustments are as follows:

	<u>Prior to Adjustment</u>	<u>After Adjustment</u>
Electric Light Enterprise	<u>\$ 33,611,273</u>	<u>\$ 32,018,943</u>
Water Enterprise	<u>\$ 7,693,703</u>	<u>\$ 7,432,216</u>
Fiduciary Funds - Other Post Employment Benefits Trust	<u>\$ 5,158,144</u>	<u>\$ 6,846,366</u>

G. Implementation of New GASB Pronouncements

During fiscal year 2017, the following GASB pronouncements were implemented:

- The GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, which is required to be implemented in fiscal year 2017. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which is required to be implemented in fiscal year 2017. The implementation of this pronouncement required new disclosures and required supplementary information schedules related to the Town's Other Post-Employment Benefits Trust Fund.
- The GASB issued Statement No. 77, Tax Abatement Disclosures, which is required to be implemented in fiscal year 2017. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans which is required to be implemented in fiscal year 2017. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement No 80, Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14 which is required to be implemented in fiscal year 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. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which is required to be implemented in fiscal years beginning after June 15, 2017.
- The GASB issued Statement No 81 Irrevocable Split-Interest Agreements, which is required to be implemented in fiscal years beginning after December 15, 2016.

- 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.
- The GASB issued Statement No. 83, *Certain Asset Retirement Obligations* which is required to be implemented in fiscal years beginning after June 15, 2018.
- The GASB issued Statement No. 84, *Fiduciary Activities* which is required to be implemented in fiscal years beginning after December 15, 2018.
- The GASB issued Statement No. 85, *Omnibus 2017* which is required to be implemented in fiscal years beginning after June 15, 2017.
- The GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* which is required to be implemented in fiscal years beginning after June 15, 2017.
- The GASB issued Statement No. 87, *Leases* which is required to be implemented in fiscal years beginning after December 15, 2019.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements. Management's current assessment is that GASB Statement #75 will have a significant impact on the Town's basic financial statements by recognizing the entire actuarially accrued liability and expense, related to the Town's Other Post-Employment Benefits.

## **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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	
<u>Revenues</u>				
Property Taxes	\$ 33,990,615	\$ 33,990,615	\$ 34,810,330	\$ 819,715
Tax Liens	-	-	197,467	197,467
Excises	1,121,232	1,121,232	2,038,533	917,301
Penalties and Interest	85,000	85,000	118,066	33,066
Licenses and Permits	200,000	200,000	504,232	304,232
Fees and Departmental	65,000	65,000	137,034	72,034
Intergovernmental	4,981,863	4,981,863	5,120,359	138,496
Charges for Services	200,000	200,000	335,654	135,654
Fines and Forfeits	55,000	55,000	54,529	(471)
Earnings on Investments	65,000	65,000	151,488	86,488
In Lieu of Taxes	760,000	760,000	864,250	104,250
Special Assessments	30,000	30,000	26,815	(3,185)
Miscellaneous	-	-	3,855	3,855
Total Revenues	<u>41,553,710</u>	<u>41,553,710</u>	<u>44,362,612</u>	<u>2,808,902</u>
<u>Expenditures</u>				
Current:				
General Government	3,966,799	4,216,969	3,930,761	286,208
Public Safety	3,540,820	3,540,820	3,441,320	99,500
Education	18,954,581	18,954,581	18,954,482	99
Highway and Public Works	2,716,922	2,751,822	2,845,040	(93,218)
Health and Human Services	394,645	416,285	353,575	62,710
Culture and Recreation	693,124	693,124	689,991	3,133
Intergovernmental	1,110,973	1,110,973	1,102,802	8,171
Employee Benefits	7,218,511	7,143,891	7,103,122	40,769
Debt Service	3,269,759	2,991,259	2,990,894	365
Total Expenditures	<u>41,866,134</u>	<u>41,819,724</u>	<u>41,411,987</u>	<u>407,737</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(312,424)</u>	<u>(266,014)</u>	<u>2,950,625</u>	<u>3,216,639</u>
Other Financing Sources (Uses)				
Transfers In	1,102,672	1,102,672	1,245,337	142,665
Transfers Out	(4,197,385)	(4,455,885)	(4,458,859)	(2,974)
Budgetary Fund Balance	3,416,821	3,628,911	3,628,911	-
Budgetary Deficits Raised	(9,684)	(9,684)	(9,684)	-
Total Other Financing Sources (Uses)	<u>312,424</u>	<u>266,014</u>	<u>405,705</u>	<u>139,691</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,356,330</u>	<u>\$ 3,356,330</u>

**See Notes to the Required Supplementary Information**

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>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>	<u>2008</u>
Town's proportionate share of net pension liability (asset) (%)	1.690981%	1.658682%	1.583397%	<b><i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i></b>						
Town's proportionate share of net pension liability (asset) (\$)	23,959,114	21,397,309	19,021,595							
Town's covered-employee payroll	11,081,928	10,782,598	10,367,883							
Town's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	216.20%	198.44%	183.47%							
Plan fiduciary net position as a percentage of the pension liability	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>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>	<u>2008</u>
Contractually required contribution	\$ 1,875,271	\$ 1,762,316	\$ 1,711,410	<i><b>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</b></i>						
Contributions in relation to the contractually required contribution	<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>	<u>-</u>
Contribution deficiency (excess)	<u>\$ (700,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	11,081,928	10,782,598	10,367,883							
Contributions as a percentage of covered-employee payroll	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>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>	<u>2008</u>
Town's proportionate share of the collective net pension liability (asset) (%)	0.00%	0.00%	0.00%	<i><b>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</b></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 (\$)	\$ 35,396,068	\$ 32,386,865	\$ 24,570,481							
Total	<u>\$ 35,396,068</u>	<u>\$ 32,386,865</u>	<u>\$ 24,570,481</u>							
Town's covered-employee payroll	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-employee payroll	0.00%	0.00%	0.00%							
Plan fiduciary net position as a percentage of the pension liability	52.73%	55.38%	61.64%							
Town's expense and revenue recognized for Commonwealth support	<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  
Required Supplementary Information  
Schedules of Funding Progress and Employer's Contributions - Other Post Employment Benefits - (GASB 45)  
Fiscal Year Ended June 30, 2017  
(Except for the Electric Light, Which is for Year Ended December 31, 2016)

**Schedule of Funding Progress**

**Town and Water**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
07/01/2012	\$1,344,743	\$34,050,406	\$32,705,663	3.95%	\$18,546,453	176.3%
07/01/2014	\$3,461,975	\$31,316,268	\$27,854,293	11.05%	\$19,476,293	143.0%
07/01/2016	\$5,419,631	\$24,656,968	\$19,237,337	21.98%	\$20,907,161	92.0%

**Electric Light**

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

The 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**

**Town and Water**

Fiscal Year Ended June 30	Annual Required Contributions (ARC)	Percentage ARC Contributed	Net OPEB Obligation
2015	\$3,186,702	52.1%	\$14,189,052
2016	\$3,358,307	60.2%	\$15,526,235
2017	\$2,602,241	75.3%	\$15,954,002

**Electric Light**

Fiscal Year Ended December 31	Annual Required Contributions (ARC)	Percentage ARC Contributed	Net OPEB Obligation
2014	\$327,630	151.2%	\$503,056
2015	\$315,611	168.5%	\$281,024
2016	\$296,496	175.8%	\$52,369

**See Notes to the Required Supplementary Information**



Town of Littleton, Massachusetts  
Required Supplementary Information - Other Post Employment Benefits  
Valuation Details - GASB 45  
Fiscal Year Ended June 30, 2017

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Valuation Date - <b>Town and Water Enterprise Fund</b>	July 1, 2016
Actuarial Cost Method	Entry Age Normal (Projected Unit Credit in the previous valuation)
Amortization Method	Level Dollar
Remaining Amortization Period	30 years on an closed amortization period (in previous valuation, a 30 year open amortization method)
Asset Valuation Method	Market Value

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**Actuarial Assumptions:**

Investment Rate of Return	6.70 % (previously 5.50%)
Medical/Drug Cost Trend Rate	8.0% graded to 5.0% in year 4 (same as previous valuation)
Consumer Price Index (CPI)	3% per year

Plan Membership:

Current retirees, beneficiaries, and dependents	189
Current active members	<u>356</u>
Total	<u>545</u>

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Valuation Date - <b>Light Enterprise Fund</b>	January 1, 2016
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Period	Thirty year closed (26 years remaining)
Asset Valuation Method	Market Value

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**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

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**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 - (GASB 74)  
June 30, 2017  
Last 10 Fiscal Year

<b><u>Town and Water</u></b>	<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>	<u>2008</u>
<b>Total OPEB liability</b>		<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>								
Service cost	\$ 853,379									
Interest	1,690,414									
Changes of benefit terms	-									
Difference between expected and actual experience	-									
Changes in assumptions	-									
Benefit payments	(811,562)									
<b>Net change in total OPEB liability</b>	<u>1,732,231</u>									
<b>Total OPEB liability - beginning</b>	<u>22,091,257</u>									
<b>Total OPEB liability - ending (a)</b>	<u><u>\$23,823,488</u></u>									
<b>Plan Fiduciary net position</b>										
Contributions - employer	\$ 1,959,853									
Net investment income	541,215									
Benefit payments	(811,562)									
Administrative expense	-									
<b>Net change in plan fiduciary net position</b>	<u>1,689,506</u>									
<b>Plan fiduciary net position - beginning</b>	<u>5,419,631</u>									
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 7,109,137</u></u>									
<b>Town's net OPEB liability - ending (a) - (b)</b>	<u><u>\$16,714,351</u></u>									
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	29.84%									
<b>Covered-employee payroll</b>	\$20,907,161									
<b>Town's net OPEB liability as a percentage of covered - employee payroll</b>	79.95%									

**See Notes to the Required Supplementary Information**

Town of Littleton, Massachusetts  
Required Supplementary Information  
Schedule of Contributions - (GASB 74)  
June 30, 2017  
Last 10 Fiscal Year

**Town and Water**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarial determined contribution	\$ 2,602,241	<i><b>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</b></i>								
Contributions in relating to the actuarially determined contribution	(1,959,853)									
Contribution deficiency (excess)	<u>\$ 4,562,094</u>									
Covered-employee payroll	\$ 20,907,161									
Contributions as a percentage of covered-employee payroll	9.37%									

**Notes to Schedule**

Valuation date:

Actuarially determined contributions are determined as of July 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
Amortization period	30 years closed
Asset valuation method	Market Value
Inflation	3.0% per year
Healthcare cost trend rates	8.0% decreasing by 1.0% per year to an ultimate rate of 5% in year seven
Investment rate of return	7.5 percent, net of OPEB plan investment expense, including inflation

Mortality

Healthy:

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

**See Notes to the Required Supplementary Information**

Town of Littleton, Massachusetts  
Required Supplementary Information  
Schedule of Investment Returns - (GASB 74)  
June 30, 2017  
Last 10 Fiscal Year

	<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>	<u>2008</u>
Annual money-weighted rate of return, net of investment expense	8.66%	<i>This schedule is intended to show information for 10 years. Additional years' information is displayed as it becomes available.</i>								

**See Notes to the Required Supplementary Information**

Town of Littleton, Massachusetts  
Notes to the Required Supplementary Information  
June 30, 2017

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/2017/07/FINAL-MCRS-Audit-Report-of-Financial-Statements-12-31-2016.pdf> or by writing to the to the Middlesex County Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

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 changes were effective January 1, 2016:

- The pre-retirement mortality assumption was changed from the RP-2000 Employee Mortality Table projected 22 years with Scale AA to the RP-2000 Employee Mortality Table projected generationally from 2009 with Scale BB2D.
- The mortality assumption for non-disabled retirees was changed from the RP-2000 Healthy Annuitant Mortality Table projected 17 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally from 2009 with Scale BB2D.
- The mortality assumption for disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table set forward three years projected 17 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally from 2015 with Scale BB2D.

- The investment return assumption was lowered from 7.875% to 7.75%.
- The administrative expense assumption was increased from \$3,400,000 for calendar 2014, increasing 4% per year, to \$3,500,000 for calendar 2016, and increasing 3.5%.

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-employee 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-employee 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, 2017, the Town's proportionate share of the collective pension expense was \$3,610,131. 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, 2017, or fund balance/net position at June 30, 2017.

The Commonwealth's proportionate share of net pension liability associated with the Town is \$35,396,068.

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.mass.gov/comptroller/docs/reports-audits/cafr/2016-cafr.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

#### Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. 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 Employees table projected generationally with Scale BB and a base year 2014 (gender distinct)
  - 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

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, 2016 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return 2016</u>
Global Equity	40.00%	6.90%
Core fixed income	13.00%	1.60%
Private Equity	10.00%	8.70%
Real Estate	10.00%	4.60%
Value Added Fixed Income	10.00%	4.80%
Hedge Funds	9.00%	4.00%
Portfolio Completion Strategies	4.00%	3.60%
Timber/Natural Resources	4.00%	5.40%
	<u>100%</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.mass.gov/mtrs/docs/financial-reports/gasb68report-06302016.pdf>

**IV Other Postemployment Benefits (OPEB) Disclosures**

The Town of Littleton administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare for eligible retirees and their spouses through the Town's health insurance plan, which covers both active and retired members.

- i. **Plan Description.** Employees are eligible for continued medical coverage with the Town of Littleton after retirement if they have been employed by the Town for at least 10 years in a benefit eligible position. Currently there are approximately 356 active employees and 189 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan.
- ii. **Funding Policy.** 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.



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, 2017, 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 February 8, 2018. 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  
February 8, 2018