

TOWN OF GRAFTON, MASSACHUSETTS

**Report on the Examination
Of Basic Financial Statements**

For the Year Ended June 30, 2018

TOWN OF GRAFTON, MASSACHUSETTS

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Grafton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Grafton, Massachusetts, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Grafton, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Grafton, Massachusetts, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan and other post employment benefit plan schedules as listed on 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Grafton, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2019, on our consideration of the Town of Grafton 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 the Town of Grafton, Massachusetts' internal control over financial reporting and compliance.

Scanlon & Associates, LLC
South Deerfield, Massachusetts

February 15, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Grafton, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$44,079,183 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$48,782,265, a decrease of \$4,703,082 (10%).
- As required by Government Accounting Standards Board (GASB) Statement No. 75, in fiscal year 2018, the Town recognized an increase to the Other Post employment Benefits (OPEB) obligation payable of \$29,687,189 on the statement of net position from the previous year, see Note 5.
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$19,244,146, an increase of \$118,921 (1%) in comparison with the prior year.
- The General Fund's total fund balance decreased \$389,578 (4%) to \$9,410,173. The ending General fund balance is 14% of revenues, transfers in and refunding bond actions; and 14% of expenditures and transfers out.
- Total liabilities of the Town increased by \$5,987,614 (4%) to \$151,886,922 during the fiscal year. This net change resulted mainly from net increases in bond anticipation notes payable of \$8,349,821, mainly for a wastewater treatment plant project, and in the OPEB obligation payable of \$3,497,947 and net decreases in the warrants and accounts payable of \$2,186,934, in bonds and leases payable of approximately \$3,466,056 and in the net pension liability of \$325,555.
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$2,166,660. The key factors that attributed to the free cash amount for fiscal year 2018 were unexpended/unencumbered appropriations of \$735,600, excess over budget state and local receipt of \$406,000, and prior year free cash not appropriated of \$686,700.
- The Town's enterprise fund certified free cash is as follows:
 - Sewer fund \$ 3,705,613.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Grafton's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all assets, deferred outflow of resources, liabilities and deferred inflows of resources with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activity includes the sewer 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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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 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 decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

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

Proprietary funds. The Town maintains one type of proprietary fund.

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

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

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

Financial Highlights

Statement of Net Position Highlights

	Governmental Activities		
	2018	2017	Change
Assets:			
Current assets	\$ 25,453,785	\$ 24,080,143	\$ 1,373,642
Capital assets	114,903,532	117,968,913	(3,065,381)
Total assets	140,357,317	142,049,056	(1,691,739)
Deferred Outflows of Resources	2,657,393	3,885,391	(1,227,998)
Liabilities:			
Current liabilities (excluding debt)	1,831,372	1,759,217	72,155
Current debt	3,607,948	2,647,576	960,372
Noncurrent liabilities (excluding debt)	80,492,062	77,326,429	3,165,633
Noncurrent debt	29,242,108	32,253,330	(3,011,222)
Total liabilities	115,173,490	113,986,552	1,186,938
Deferred Inflows of Resources:			
Deferred inflows related to pensions	854,881	150,163	704,718
Net Position:			
Net investment in capital assets	82,061,806	83,080,502	(1,018,696)
Restricted	11,404,856	9,899,457	1,505,399
Unrestricted	(66,480,323)	(61,182,227)	(5,298,096)
Total net position	\$ 26,986,339	\$ 31,797,732	\$ (4,811,393)
	Business-Type Activities		
	2018	2017	Change
Assets:			
Current assets	\$ 6,197,897	\$ 8,043,298	\$ (1,845,401)
Noncurrent assets (excluding capital assets)	429,085	540,477	(111,392)
Capital assets	47,117,855	40,186,186	6,931,669
Total assets	53,744,837	48,769,961	4,974,876
Deferred Outflows of Resources	90,581	132,447	(41,866)
Liabilities:			
Current liabilities (excluding debt)	233,572	2,392,629	(2,159,057)
Current debt	18,363,104	11,003,581	7,359,523
Noncurrent liabilities (excluding debt)	1,346,844	1,321,726	25,118
Noncurrent debt	16,769,912	17,194,820	(424,908)
Total liabilities	36,713,432	31,912,756	4,800,676
Deferred Inflows of Resources:			
Deferred inflows related to pensions	29,142	5,119	24,023
Net Position:			
Net investment in capital assets	11,984,839	11,987,785	(2,946)
Restricted	1,809,761	1,779,228	30,533
Unrestricted	3,298,244	3,217,520	80,724
Total net position	\$ 17,092,844	\$ 16,984,533	\$ 108,311

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2018	2017	Change
Program Revenues:			
Charges for services	\$ 3,657,431	\$ 3,342,129	\$ 315,302
Operating grants and contributions	21,534,204	21,205,752	328,452
Capital grants and contributions	498,393	200,389	298,004
General Revenues:			
Property taxes	40,807,773	38,783,802	2,023,971
Motor vehicle excise and other taxes	3,191,437	3,210,135	(18,698)
Penalties and interest on taxes	119,508	86,887	32,621
Nonrestricted grants	1,768,592	1,569,819	198,773
Unrestricted investment income	14,505	68,731	(54,226)
Gain/(Loss) on sale of capital asset	24,338	(150,000)	174,338
Miscellaneous	26,661	17,382	9,279
Total revenues	71,642,842	68,335,026	3,307,816
Expenses:			
General government	3,911,666	3,494,793	416,873
Public safety	4,249,951	4,044,852	205,099
Public works	3,653,610	3,721,385	(67,775)
Education	41,346,042	40,044,307	1,301,735
Health and human services	685,956	600,377	85,579
Culture and recreation	1,657,741	1,573,689	84,052
Employee benefits and insurance	19,337,873	18,400,925	936,948
State assessments	712,542	801,705	(89,163)
Interest	1,156,738	1,369,661	(212,923)
Total expenses	76,712,119	74,051,694	2,660,425
Contributions to permanent funds	17,700	20,700	(3,000)
Transfers	240,184	162,866	77,318
Change in net position	(4,811,393)	(5,533,102)	721,709
Net position - beginning of year	31,797,732	37,330,834	(5,533,102)
Net position - end of year	\$ 26,986,339	\$ 31,797,732	\$ (4,811,393)

	Business-Type Activities		
	2018	2017	Change
Program Revenues:			
Charges for services	\$ 3,077,225	\$ 2,925,309	\$ 151,916
Operating grants and contributions	3,075	30,000	(26,925)
General Revenues:			
Unrestricted investment income	(62,661)	93,378	(156,039)
Total revenues	3,017,639	3,048,687	(31,048)
Expenses:			
Sewer	2,669,144	1,812,140	857,004
Total expenses	2,669,144	1,812,140	857,004
Transfers	(240,184)	(162,866)	(77,318)
Change in net position	108,311	1,073,681	(965,370)
Net position - beginning of year	16,984,533	15,910,852	1,073,681
Net position - end of year	\$ 17,092,844	\$ 16,984,533	\$ 108,311

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$44,079,183 at the close of fiscal year 2018.

Net position of \$94,046,645 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$13,214,617 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$63,182,079).

At the end of the current fiscal year, the Town is able to report positive balances in two categories of net position and a negative balance in the unrestricted category in the governmental activities and for the government as a whole. The unrestricted governmental activities and government as a whole resulted in a negative balance mainly due to the accrual of the OPEB obligation and net pension liabilities that are required under GASB to be recognized in the Town's financial statements. These liabilities are presented on the statement of net position.

The business-type activities are able to report positive balances in all three categories of net position.

The governmental activities net position decreased by \$4,811,393 (15%) during the current fiscal year. The key elements of the decrease in net position for fiscal year 2018 was attributed to increases as a result of the repayment of debt and lease principal and bond refunding of \$3,050,850 and to decreases in the depreciation expense (normally spread out over the useful life of the asset) for the year of \$5,567,485 and the sale of capital assets of \$1,211 exceeding the acquisition of \$2,503,315 in new capital assets; in recognizing this year's change in the OPEB obligation of \$3,468,215 and in the deferred outflow/inflow of resources related to pensions of \$1,932,955.

There was an increase of \$108,311 (1%) in net position reported in connection with the sewer business-type activity.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$19,244,146, an increase of \$118,921 (1%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance – \$758,244 (4%)
- Restricted fund balance – \$7,468,090 (39%)
- Committed fund balance – \$3,334,799 (17%)
- Assigned fund balance – \$1,337,420 (7%)
- Unassigned fund balance – \$6,345,593 (33%)

Major Governmental Funds

At the end of the fiscal year, the General Fund reported a total fund balance of \$9,410,173 decreasing \$389,578 (4%) from the prior year. Of the \$9,410,173, the unassigned amount is \$6,491,967 (69%), the assigned amount is \$1,337,420 (14%), the committed amount is \$1,127,033 (12%) and the restricted amount is \$453,753 (5%). General fund revenues were \$2,421,792 (4%) more than the prior fiscal year and expenditures also increased by \$2,501,486 (4%). Other activities in the General Fund are net transfers to other funds of \$1,307,458, proceeds and premiums on refunding bonds of \$9,434,833 and payments to a refunding escrow agent of \$9,434,833.

The main components of the change in general fund revenues as compared to the prior year are related to an increase property taxes in the amount of \$1,952,087 (5%) and in intergovernmental – “on-behalf” payments of \$457,864 (7%).

The major changes in general fund expenditures from the prior fiscal year were as follows:

- Increase in General government expenditures of \$291,749 (11%).
- Increase in Education expenditures of \$1,550,050 (5%).
- Increase in Employee benefits and insurance of \$676,658 (5%).

Proprietary funds. The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Fund

The *Sewer Fund* has accumulated a fund balance of \$17,092,844 used in the financing and operations of the Town's sewer system. The fund shows an increase of \$108,311 (1%) in total operations. This change is attributed to current operational revenues exceeding the current operational expenses by \$909,117, investment and other income of (\$59,586), special assessments revenue of \$29,622, interest expense of \$530,658 and transfers to the general fund of \$240,184. Operating revenues increased by \$150,871 (5%) and operating expenses also increased by \$507,774 (31%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2018 was \$58,823,731. This was an increase of \$2,226,668 (4%) over the previous year's budget.

There was an increase between the total original budget and the total final amended budget. The change is attributed to adjustments voted at various special and annual town meetings for various budget operating line items.

General fund expenditures were less than budgeted by \$2,139,708. Of the \$2,139,708 in under budget expenditures, \$1,404,085 has been carried over to fiscal year 2019.

There are negative variances in intergovernmental receipts of \$14,744 and in licenses, permits and fees of \$86,180 as expectations (budget) were higher than the receipts.

The variance with the final budget was a positive \$1,363,636 consisting of a revenue surplus of \$628,013 and an appropriation surplus of \$735,623.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounts to \$114,903,532 and \$47,117,855, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Land purchase for \$115,000.
- Police vehicle purchases for \$60,840.
- Department of public works facility construction for \$146,374.
- Department of public works vehicle and equipment purchases for \$183,438.
- Road and sidewalk infrastructure improvements for \$1,926,308.
- School vehicle and equipment purchases for \$36,355.

Major capital events in the business-type funds included the following:

- Sewer Waste Water Treatment Plant improvements for \$7,389,110.

Debt. The Town's outstanding governmental debt as of June 30, 2018 totaled \$31,850,056 consisting of \$26,001,726 for the new high school, \$550,000 for the new fire station, \$75,000 for school modular classrooms, \$575,000 for land acquisition, \$3,670,000 for energy conservation projects, \$970,000 for the Town House restoration and \$8,330 for the Title V septic repair program.

The business-type fund has \$17,188,094 in sewer debt.

The Town has a bond anticipation note outstanding consisting of \$1 million in the governmental activities as of June 30, 2018 for the Department of Public Works facility project. In addition, the business-type activity currently has \$17,944,922 in a bond anticipation note outstanding for the Wastewater Treatment Facility construction.

Please refer to notes 3D, 3F, and 3G for further discussion of the major capital assets and debt activity.

Next Year's Annual Town Meeting

The Town of Grafton operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2018 do not reflect the fiscal year 2019 Town Meeting action actions with the exception of the fund balance (free cash), continuing appropriations and stabilization amounts used to fund the budget. The Annual Town Meeting on May 14, 2018 authorized a fiscal year 2019 operating and capital budget as follows:

From the tax levy		\$	58,051,140
From sewer receipts	\$	2,165,120	
From sewer betterments		<u>37,088</u>	2,202,208
From Other Available Funds:			
General Fund:			
Unassigned fund balance:			
Free cash		860,368	
Continuing Appropriations		<u>58,175</u>	918,543
Stabilization fund			200,000
Non-major Governmental Funds:			
Community preservation fund		193,700	
PEG Access/Verizon		<u>600,000</u>	793,700
			<u>\$ 62,165,591</u>

Requests for Information

This financial report is designed to provide a general overview of the Town of Grafton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, 30 Providence Road Grafton, Massachusetts.

BASIC FINANCIAL STATEMENTS

**TOWN OF GRAFTON, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 12,189,456	\$ 673,999	\$ 12,863,455
Investments	8,275,551	5,042,454	13,318,005
Receivables, net of allowance for uncollectibles:			
Property Taxes	336,451	-	336,451
Tax Liens	1,076,272	-	1,076,272
Excise Taxes	267,324	-	267,324
Departmental	72,639	-	72,639
User Charges	-	395,705	395,705
Special Assessments	-	85,739	85,739
Due from Other Governments	3,236,092	-	3,236,092
Total current assets	<u>25,453,785</u>	<u>6,197,897</u>	<u>31,651,682</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	-	429,085	429,085
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	17,757,854	36,209,070	53,966,924
Depreciable	97,145,678	10,908,785	108,054,463
Total noncurrent assets	<u>114,903,532</u>	<u>47,546,940</u>	<u>162,450,472</u>
Total Assets	<u>140,357,317</u>	<u>53,744,837</u>	<u>194,102,154</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	2,657,155	90,579	2,747,734
Deferred Outflows Related to OPEB	238	2	240
	<u>2,657,393</u>	<u>90,581</u>	<u>2,747,974</u>
LIABILITIES			
CURRENT:			
Warrants and Accounts Payable	558,428	27,149	585,577
Accrued Payroll	251,056	7,959	259,015
Payroll Withholdings	369,472	-	369,472
Accrued Interest	366,431	172,253	538,684
Other	56,537	-	56,537
Compensated Absences	229,448	26,211	255,659
Bond Anticipation Notes Payable	1,000,000	17,944,922	18,944,922
Bonds Payable	2,607,948	418,182	3,026,130
Total current liabilities	<u>5,439,320</u>	<u>18,596,676</u>	<u>24,035,996</u>
NONCURRENT:			
Compensated Absences	633,761	55,023	688,784
OPEB Obligation Payable	56,060,872	480,602	56,541,474
Net Pension Liability	23,797,429	811,219	24,608,648
Bonds Payable	29,242,108	16,769,912	46,012,020
Total noncurrent liabilities	<u>109,734,170</u>	<u>18,116,756</u>	<u>127,850,926</u>
Total Liabilities	<u>115,173,490</u>	<u>36,713,432</u>	<u>151,886,922</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	854,881	29,142	884,023
	<u>854,881</u>	<u>29,142</u>	<u>884,023</u>
NET POSITION			
Net Investment in Capital Assets	82,061,806	11,984,839	94,046,645
Restricted for:			
Capital Projects	986,988	201,421	1,188,409
Federal & State Grants	3,534,928	-	3,534,928
Community Preservation	1,256,953	-	1,256,953
Permanent Funds:			
Nonexpendable	758,244	-	758,244
Expendable	493,569	-	493,569
Other Purposes	4,374,174	1,608,340	5,982,514
Unrestricted	(66,480,323)	3,298,244	(63,182,079)
Total Net Position	<u>\$ 26,986,339</u>	<u>\$ 17,092,844</u>	<u>\$ 44,079,183</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government	\$ 3,911,666	\$ 491,558	\$ 429,831	\$ -	\$ (2,990,277)	\$ -	\$ (2,990,277)
Public Safety	4,249,951	867,750	139,473	-	(3,242,728)	-	(3,242,728)
Public Works	3,653,610	393,517	-	498,393	(2,761,700)	-	(2,761,700)
Education	41,346,042	1,324,981	13,507,197	-	(26,513,864)	-	(26,513,864)
Health and Human Services	685,956	207,064	119,987	-	(358,905)	-	(358,905)
Culture and Recreation	1,657,741	372,561	45,109	-	(1,240,071)	-	(1,240,071)
Employee Benefits and Insurance	19,337,873	-	7,292,019	-	(12,045,854)	-	(12,045,854)
State Assessments	712,542	-	-	-	(712,542)	-	(712,542)
Interest	1,156,738	-	588	-	(1,156,150)	-	(1,156,150)
Total Governmental Activities	76,712,119	3,657,431	21,534,204	498,393	(51,022,091)	-	(51,022,091)
Business-Type Activities:							
Sewer	2,669,144	3,077,225	3,075	-	-	411,156	411,156
Total Primary Government	\$ 79,381,263	\$ 6,734,656	\$ 21,537,279	\$ 498,393	(51,022,091)	411,156	(50,610,935)
General Revenues:							
Property Taxes					40,807,773	-	40,807,773
Motor vehicle excise and other taxes					3,191,437	-	3,191,437
Penalties & Interest on Taxes					119,508	-	119,508
Grants & Contributions not restricted to specific programs					1,768,592	-	1,768,592
Unrestricted Investment Income					14,505	(62,661)	(48,156)
Gain/(Loss) on Sale of Capital Assets					24,338	-	24,338
Miscellaneous					26,661	-	26,661
Contributions to Permanent Funds					17,700	-	17,700
Transfers, net					240,184	(240,184)	-
Total General Revenues, Contributions and Transfers					46,210,698	(302,845)	45,907,853
Change in Net Position					(4,811,393)	108,311	(4,703,082)
Net Position:							
Beginning of year (as restated)					31,797,732	16,984,533	48,782,265
End of year					\$ 26,986,339	\$ 17,092,844	\$ 44,079,183

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 6,209,462	\$ 5,979,994	\$ 12,189,456
Investments	4,174,994	4,100,557	8,275,551
Receivables, net of allowance for uncollectibles:			
Property Taxes	333,115	3,336	336,451
Tax Liens	1,071,973	4,299	1,076,272
Excise Taxes	267,324	-	267,324
Departmental	800	71,839	72,639
Due from Other Governments	110,527	3,125,565	3,236,092
Total Assets	\$ 12,168,195	\$ 13,285,590	\$ 25,453,785
Liabilities:			
Warrants and Accounts Payable	\$ 466,726	\$ 91,702	\$ 558,428
Accrued Payroll	224,367	26,689	251,056
Payroll Withholdings	369,472	-	369,472
Other	56,537	-	56,537
Bond Anticipation Notes Payable	-	1,000,000	1,000,000
Total Liabilities	1,117,102	1,118,391	2,235,493
Deferred Inflows of Resources:			
Unavailable Revenue	1,640,920	2,333,226	3,974,146
Fund Balance:			
Nonspendable	-	758,244	758,244
Restricted	453,753	7,014,337	7,468,090
Committed	1,127,033	2,207,766	3,334,799
Assigned	1,337,420	-	1,337,420
Unassigned	6,491,967	(146,374)	6,345,593
Total Fund Balance	9,410,173	9,833,973	19,244,146
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 12,168,195	\$ 13,285,590	\$ 25,453,785

The Notes to the Financial Statements are an integral part of this Statement.

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 40,214,085	\$ 427,517	\$ 40,641,602
Intergovernmental	12,824,615	3,153,302	15,977,917
Excise and Other Taxes	3,268,119	-	3,268,119
Charges for Services	-	2,536,767	2,536,767
Licenses, Permits, Fees	1,161,607	-	1,161,607
Interest on Taxes	118,972	536	119,508
Investment Income	14,505	(55,643)	(41,138)
Gifts and Donations	-	52,728	52,728
Other	-	313,824	313,824
Intergovernmental - "On-behalf" Payments	7,292,314	-	7,292,314
Total Revenues	64,894,217	6,429,031	71,323,248
Expenditures:			
Current:			
General Government	2,873,135	427,965	3,301,100
Public Safety	3,218,836	641,997	3,860,833
Public Works	2,875,031	2,250,387	5,125,418
Education	34,804,424	3,389,902	38,194,326
Health and Human Services	509,819	177,076	686,895
Culture and Recreation	1,006,832	369,914	1,376,746
Employee Benefits and Insurance	14,177,734	74,030	14,251,764
State Assessments	712,542	-	712,542
Debt Service:			
Principal	2,686,262	114,165	2,800,427
Interest	1,111,722	48,287	1,160,009
Total Expenditures	63,976,337	7,493,723	71,470,060
Excess of Revenues Over (Under) Expenditures	917,880	(1,064,692)	(146,812)
Other Financing Sources (Uses):			
Operating Transfers In	248,352	1,555,810	1,804,162
Operating Transfers Out	(1,555,810)	(8,168)	(1,563,978)
Sale of Property	-	25,549	25,549
Proceeds from Issuance of Refunding Bonds	8,638,075	-	8,638,075
Premiums on Refunding Bonds	796,758	-	796,758
Payments to Refunding Escrow Agent	(9,434,833)	-	(9,434,833)
Total Other Financing Sources (Uses)	(1,307,458)	1,573,191	265,733
Net Change in Fund Balances	(389,578)	508,499	118,921
Fund Balances, Beginning of Year	9,799,751	9,325,474	19,125,225
Fund Balances, End of Year	\$ 9,410,173	\$ 9,833,973	\$ 19,244,146

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRAFTON, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2018

Total Governmental Fund Balances		\$	19,244,146
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.			114,903,532
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			3,974,146
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.			1,802,512
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:			
Bonds Payable	\$	(31,850,056)	
Other Post Employment Benefits Payable		(56,060,872)	
Net Pension Liability		(23,797,429)	
Compensated Absences		(863,209)	
		<u>(863,209)</u>	(112,571,566)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in the governmental funds interest is not reported until due.			<u>(366,431)</u>
Net Position of Governmental Activities		\$	<u><u>26,986,339</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRAFTON, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ 118,921

The 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 are reported as depreciation expense:

Capital Outlay Purchases	\$ 2,503,315	
Sale of Capital Assets	(1,211)	
Depreciation	<u>(5,567,485)</u>	(3,065,381)

Revenue 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. 185,944

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to the 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:

Repayment of Debt and Lease Principal	2,923,838	
Proceeds from Issuance of Refunding Bonds	(8,638,075)	
Other	(669,746)	
Payments to Refunding Escrow Agent	<u>9,434,833</u>	3,050,850

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:

Net Change in Compensated Absences	(18,889)	
Net Change in Other Post Employment Benefits	(3,468,215)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to OPEB	238	
Net Change in Net Pension Liability	314,823	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	(1,932,955)	
Net Change in Accrued Interest on Long-Term Debt	<u>3,271</u>	<u>(5,101,727)</u>

Change in Net Position of Governmental Activities \$ (4,811,393)

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Actual Budgetary Basis	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried		Final Budget			
	Forward from Prior Year	Original Budget				
Revenues:						
Property Taxes	\$ -	\$ 39,974,703	\$ 40,114,103	\$ 40,336,085	\$ -	\$ 221,982
Intergovernmental	-	12,839,359	12,839,359	12,824,615	-	(14,744)
Excise and Other Taxes	-	2,802,078	2,802,078	3,268,119	-	466,041
Licenses, Permits, Fees	-	1,247,787	1,247,787	1,161,607	-	(86,180)
Interest on Taxes	-	105,000	105,000	118,972	-	13,972
Investment Income	-	38,000	38,000	64,942	-	26,942
Total Revenues	-	57,006,927	57,146,327	57,774,340	-	628,013
Expenditures:						
Current:						
General Government	234,759	2,928,806	3,344,270	2,873,135	225,595	245,540
Public Safety	103,635	3,302,673	3,604,878	3,218,836	257,962	128,080
Public Works	460,273	2,754,856	3,600,830	2,875,031	505,506	220,293
Education	115,378	34,716,181	34,912,218	34,804,424	93,925	13,869
Health and Human Services	29,581	518,365	551,091	509,819	2,886	38,386
Culture and Recreation	327,092	1,008,060	1,364,552	1,006,832	308,211	49,509
Employee Benefits and Insurance	10,300	6,905,527	6,922,327	6,885,420	10,000	26,907
State Assessments	-	714,265	714,265	712,542	-	1,723
Debt Service:						
Principal	-	2,689,912	2,689,912	2,686,262	-	3,650
Interest	-	1,119,388	1,119,388	1,111,722	-	7,666
Total Expenditures	1,281,018	56,658,033	58,823,731	56,684,023	1,404,085	735,623
Excess of Revenues Over (Under) Expenditures	(1,281,018)	348,894	(1,677,404)	1,090,317	(1,404,085)	1,363,636
Other Financing Sources (Uses):						
Operating Transfers In	-	200,000	200,277	248,352	-	48,075
Operating Transfers (Out)	-	(1,545,000)	(1,755,500)	(1,755,810)	-	(310)
Total Other Financing Sources (Uses)	-	(1,345,000)	(1,555,223)	(1,507,458)	-	47,765
Net Change in Budgetary Fund Balance	(1,281,018)	(996,106)	(3,232,627)	(417,141)		<u>\$ 1,411,401</u>
Other Budgetary Items:						
Free Cash and Other Reserves	-	996,106	1,951,609			
Prior Year Encumbrances	1,281,018	-	1,281,018			
Total Other Budgetary Items	1,281,018	996,106	3,232,627			
NET BUDGET	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRAFTON, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2018

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 57,774,340	\$ 56,684,023
<i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	(50,437)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	7,292,314	-
Recognition of Expenditures - "on behalf payments"	-	7,292,314
Net Decrease in Revenue from Recording 60-Day Receipts	(122,000)	-
Reported on a GAAP Basis	\$ 64,894,217	\$ 63,976,337

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018**

	Business-Type Activities Enterprise Fund
	Sewer Fund
ASSETS	
CURRENT:	
Cash and Cash Equivalents	\$ 673,999
Investments	5,042,454
User Charges, net of allowance for uncollectibles	395,705
Special Assessments	85,739
Total current assets	6,197,897
NONCURRENT:	
Special Assessments	429,085
Capital Assets, net of accumulated depreciation	
Nondepreciable	36,209,070
Depreciable	10,908,785
Total noncurrent assets	47,546,940
Total Assets	53,744,837
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	90,579
Deferred Outflows Related to OPEB	2
	90,581
LIABILITIES	
CURRENT:	
Accounts Payable	27,149
Accrued Payroll	7,959
Accrued Interest	172,253
Compensated Absences	26,211
Notes Payable	17,944,922
Bonds Payable	418,182
Total current liabilities	18,596,676
NONCURRENT:	
Compensated Absences	55,023
OPEB Obligation Payable	480,602
Net Pension Liability	811,219
Bonds Payable	16,769,912
Total noncurrent liabilities	18,116,756
Total Liabilities	36,713,432
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	29,142
	29,142
NET POSITION	
Net Investment in Capital Assets	11,984,839
Restricted for Betterments	1,608,340
Restricted for Capital	201,421
Unrestricted	3,298,244
Total Net Position	\$ 17,092,844

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities Enterprise Fund
	Sewer Fund
Operating Revenues:	
Charges for Services	\$ 3,018,764
Other	28,839
Total Operating Revenues	3,047,603
Operating Expenses:	
Salaries & Wages	448,388
Operating Expenses	1,232,657
Depreciation	457,441
Total Operating Expenses	2,138,486
Operating Income (Loss)	909,117
Non-Operating Revenues (Expenses):	
Investment Income	(62,661)
Other	3,075
Assessments	29,622
Interest Expense	(530,658)
Total Non-Operating Revenues (Expenses)	(560,622)
Income (Loss) Before Operating Transfers	348,495
Operating Transfers:	
Transfers In/(Out)	(240,184)
Total Operating Transfers	(240,184)
Change in Net Position	108,311
Net Position at Beginning of Year (as restated)	16,984,533
Net Position at End of Year	\$ 17,092,844

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities Enterprise Fund
	Sewer Fund
Cash Flows From Operating Activities:	
Receipts from Customers and Users	\$ 2,968,885
Receipts from Other Revenues	28,839
Payments to Vendors	(1,195,776)
Payments to Employees	(440,595)
Net Cash Provided by (Used for) Operating Activities	1,361,353
Cash Flows from Noncapital Financing Activities:	
Transfers from (to) Other Funds	(240,184)
Net Cash Provided by (Used for) Noncapital Financing Activities	(240,184)
Cash Flows from Capital and Related Financing Activities:	
Assessments	165,129
Other	3,075
MCWT Project Drawdowns	9,537,863
Proceeds from the Issuance of Refunding Bonds	226,925
Acquisition and Construction of Capital Assets	(9,577,152)
Payments to Refunding Escrow Agent	(230,000)
Principal Payments on Bonds	(412,131)
Interest Expense	(455,340)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(741,631)
Cash Flows from Investing Activities:	
Investment Income	(62,661)
Proceeds/(Purchase) of Investments	(339,525)
Net Cash Provided by (Used for) Investing Activities	(402,186)
Net Increase (Decrease) in Cash and Cash Equivalents	(22,648)
Cash and Cash Equivalents at Beginning of Year	696,647
Cash and Cash Equivalents at End of Year	\$ 673,999

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used For) Operating Activities:**

Operating Income (Loss)		\$ 909,117
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation		457,441
Deferred (Outflows)/Inflows of Resources Related to Pensions		65,891
Deferred (Outflows)/Inflows of Resources Related to OPEB		(2)
Change in Assets and Liabilities:		
Increase (Decrease) in Accounts Payable		(48,008)
Increase (Decrease) in Accrued Payroll		414
Increase (Decrease) in Compensated Absences		7,379
Increase (Decrease) in OPEB Obligation Payable		29,732
Increase (Decrease) in Net Pension Liability		(10,732)
Decrease (Increase) in User Charges Receivable		(49,879)
Total Adjustments		452,236
Net Cash Provided by (Used for) Operating Activities		\$ 1,361,353

The Notes to the Financial Statements are an integral part of this Statement.

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

	Other		
	Post Employment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ -	\$ -	\$ 401,154
Investments	107,033	361,149	3,428
Total Assets	107,033	361,149	404,582
LIABILITIES			
Warrants Payable	-	-	12,239
Due to Others	-	-	112,627
Due to Student Groups	-	-	177,617
Escrows and Deposits	-	-	102,099
Total Liabilities	-	-	404,582
NET POSITION			
Held in Trust for Other Purposes	\$ 107,033	\$ 361,149	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

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

	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 1,285,141	\$ -
Private Donations	-	9,494
Investment Income	(315)	(5,348)
Total Additions	1,284,826	4,146
Deductions		
Educational Scholarships	-	7,175
Insurance and Employee Benefits	1,285,141	-
Total Deductions	1,285,141	7,175
Change in Net Position	(315)	(3,029)
Net Position at Beginning of Year	107,348	364,178
Net Position at End of Year	\$ 107,033	\$ 361,149

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town was incorporated in 1735 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected five-member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2018, it was determined that no entities met the required GASB-39 and GASB-61 criteria for component units.

The Town is responsible for electing the governing board and/or committee members of the Grafton Housing Authority, the Grafton Water District, the South Grafton Water District and the Blackstone Valley Regional Vocational Technical High School. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board members. Audited financial statements are available from the respective organizations. Descriptions of the related organizations are as follows:

Grafton Housing Authority – A public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

Grafton Water District and South Grafton Water District – Districts that provide water services to the residents of the Town. The districts are autonomous and self-sufficient units under the General Laws of the Commonwealth of Massachusetts. The Town has no significant influence over management, budget or policies of the districts.

Blackstone Valley Regional Vocational Technical High School – A regional school district made up of thirteen communities to serve and provide a learning environment in specific career areas. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town elects one district committee member for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements

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

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustment necessary to reconcile ending net position and the change in net position.

Major Fund Criteria

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

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

and

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

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

Proprietary and fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The Town reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary fund:

The *sewer fund* is used to account for the sewer activities.

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

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

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

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

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Additionally, the Town reports the following fund types:

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 government programs. The Town reports the following fiduciary funds:

The *Other Postemployment Benefit (OPEB) Trust Fund* is used to account for the assets held by the Town in trust for the payment of future retiree health insurance benefits. The assets of the OPEB Trust Fund cannot be used to support the Town's operations.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

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

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

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

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

Investment income from proprietary funds is maintained in those funds.

E. Investments

The Town maintains investments according to Massachusetts General Laws and adopted policies. Investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Level 3 inputs are unobservable for the asset or liability.

Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional investment disclosures are presented in these Notes.

F. Receivables

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

Property Taxes, Deferred Property Taxes and Tax Liens

Property taxes are based on assessments as of January 1, 2017 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town accepted the provisions of the Massachusetts General Laws Chapter 59, Section 57C which enables the Town to have a quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for fiscal year 2018 on June 30, 2017 and September 29, 2017 that were due on August 1, 2017 and November 1, 2017 and the actual tax bills were mailed on December 29, 2017 and March 30, 2018 and were due on February 1, 2018 and May 1, 2018.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2018 is as follows:

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2018	\$ 36,005,923
Add: Debt Exclusion	3,168,420
Add: Road Stabilization override	1,500,000
Maximum Levy Limit	\$ 40,674,343

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

The total amount raised by taxation was \$40,359,490.

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

Excise Taxes

Excise taxes consist of motor vehicle excise and boat excise. Excise taxes are assessed annually for each vehicle and boat registered in the Town, and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles. The Board of Assessors of the Town is responsible for determining the value of each boat.

The tax calculation for motor vehicle excise taxes is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

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

User Charges

User charges and fees consist of sewer that is levied based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed each year and are included as a lien on the property owner's tax bill. Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

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

Departmental

Departmental receivables consist of police off-duty details and assessor's fees.

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

Special Assessments

Special assessments consist of sewer betterments in the business-type activities.

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

Due from Other Governments

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

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

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

G. Capital Assets

Capital assets of the primary government include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase and construction costs in excess of \$15,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Years</u>
Buildings and renovations	10-40
Machinery, equipment and other	3-15
Infrastructure	20-50

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

H. Interfund Transfers

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

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

I. Deferred Outflows/Inflows of Resources

Government-wide financial statements

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the items in this category are *deferred outflows related to pensions and deferred outflows related to OPEB*.

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category is *deferred inflows related to pensions*.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Fund financial statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town's property and excise taxes; departmental revenue and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Net Position and Fund Balances

In the Governmental-Wide financial statements, the difference between the Town's total assets, deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components – net investment in capital assets; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Federal and state grants" - represents amounts restricted by the federal and state government for various programs.

"Community preservation fund" represents amounts that are restricted for the preservation of open space, historical resources and community housing.

"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other purposes" represents restrictions placed on assets from outside parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

K. Long-term Debt

Long-term debt of the primary government is reported as liabilities in the government-wide statement of net position.

The face amount of governmental funds long-term debt is reported as other financing sources.

L. Compensated Absences

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay.

M. Pension Benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Worcester Regional Retirement System (the System) and the Massachusetts Teachers Retirement System (MTRS) are provided. Additions to and deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the system. For this purpose, benefit payments (including refunds of employee contributions), are recognized when due and payable according with the benefit terms. Investments are reported at their fair value.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

N. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 55% to 75% share of insurance premiums for retirees, spouses and surviving spouses in the general fund in the fiscal year paid.

O. Use of Estimates

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

P. Total Column

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.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non-property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- Requests for appropriation are submitted by departments to the Finance Committee.
- Finance committee meets with various departments to discuss the appropriation.
- Finance committee recommends the budget and presents the budget at the annual Town meeting.
- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.
- Throughout the year appropriations may be transferred between departments with Town meeting approval.

Massachusetts law requires cities and towns to provide for a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

For fiscal year 2018, the Town incurred a final budget deficit of \$3,232,627 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

Unassigned fund balance:	
Free cash votes	\$ 1,455,820
Overlay surplus	345,877
Reserve for payment of debt	149,912
Prior year's encumbrances	1,281,018
	\$ 3,232,627
	\$ 3,232,627

B. Deficit Fund Balances

The following fund has a deficit at June 30, 2018 as measured by the balance of unreserved fund balance.

- The *Department of Public Works Facility Construction Fund*, a capital project, has a deficit of \$146,374. The Town has an outstanding bond anticipation note for \$1 million. The deficit will be eliminated upon the issuance of permanent debt.

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2018 were \$14,629,388. Of these, none are exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost. MMDT's fair value is measured at amortized cost.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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

Investment Type	Fair Value	(in Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. treasury obligations	\$ 1,610,069	\$ 1,373,931	\$ 236,138
U. S. government agencies	3,297,424	198,242	3,099,182
Bond mutual funds	42,118	42,118	-
Corporate bonds	2,681,247	399,592	2,281,655
Money market mutual fund	44,322	44,322	-
	<u>7,675,180</u>	<u>\$ 2,058,205</u>	<u>\$ 5,616,975</u>
Other Investments:			
Certificates of deposits	2,915,414		
Equity mutual funds	64,386		
Equity securities - domestic	2,656,643		
MMDT	477,992		
	<u>\$ 13,789,615</u>		

Custodial Credit Risks

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$13,789,615 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Credit Risk

The Town's exposure to credit risk as of June 30, 2018 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<i>U. S. Treasury Obligations:</i>	
Aaa	\$ 1,610,069
<i>U. S. Government Agencies:</i>	
Aaa	3,297,424
<i>Corporate Bonds:</i>	
A1	118,009
A2	367,913
A3	1,019,092
Baa1	520,967
Baa2	655,266
<i>Bond Mutual Funds:</i>	
Not rated	42,118
<i>Money Market Mutual Funds:</i>	
Not rated	44,322
	\$ 7,675,180

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are Federal Home Loan Mortgage Corp. amounting to 18.41% of the Town's total investments.

Fair Value of Investments

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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

Investment Type	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U. S. treasury obligations	\$ 1,610,069	\$ 1,610,069	\$ -	\$ -
U. S. government agencies	3,297,424	3,297,424	-	-
Certificates of deposit	2,915,414	2,915,414	-	-
Equity mutual funds	64,386	64,386	-	-
Equity securities - domestic	2,656,643	2,656,643	-	-
Money market mutual fund	44,322	44,322	-	-
Bond mutual funds	42,118	-	42,118	-
Corporate bonds	2,681,247	-	2,681,247	-
	<u>13,311,623</u>	<u>\$ 10,588,258</u>	<u>\$ 2,723,365</u>	<u>\$ -</u>
Investments Measured at Amortized Cost:				
External Investment Pools (MMDT)	<u>477,992</u>			
Total Investments	<u>\$ 13,789,615</u>			

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

B. Receivables

At June 30, 2018, receivables for the individual major governmental funds, non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts of the primary government, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and non-major governmental funds:			
Property taxes including community preservation surcharge	\$ 352,951	\$ (16,500)	\$ 336,451
Tax liens	1,076,272	-	1,076,272
Excise taxes	292,624	(25,300)	267,324
Departmental	72,639	-	72,639
Due from other governments	3,236,092	-	3,236,092
	<u>\$ 5,030,578</u>	<u>\$ (41,800)</u>	<u>\$ 4,988,778</u>

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

At June 30, 2018, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer activities:			
User charges	\$ 351,647	\$ (17,402)	\$ 334,245
Tax liens	61,460	-	61,460
Special assessments	514,824	-	514,824
	<u>\$ 927,931</u>	<u>\$ (17,402)</u>	<u>\$ 910,529</u>

The composition of amounts due from other governments as of June 30, 2018 for the governmental funds are as follows:

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

Department of Revenue:

Veterans, blind and surviving spouse \$ 47,433

Department of Veterans Services:

Veterans benefits 63,094 \$ 110,527

Nonmajor Governmental Funds:

U. S. Department of Agriculture:

School lunch 44,614

U. S. Department of Education:

School title grants 24,154

Commonwealth of Massachusetts:

Department of Elementary and Secondary Education:

School lunch 2,063

State Special Education Reimbursement fund 232,355

Department of Revenue:

School Choice 47,507

Executive Office of Public Health and Human Services 8,875

Executive Office of Public Safety & Homeland Security:

Public safety grants 5,951

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funds 2,755,046

Other: 5,000 3,125,565

\$ 3,236,092

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

C. Deferred Inflows of Resources – Unavailable Revenue

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

Governmental Funds:			
General fund:			
Property taxes	\$	245,115	
Tax liens		1,071,973	
Excise taxes		267,324	
Departmental		800	
Due from other governments		55,708	\$ 1,640,920
Nonmajor governmental funds:			
Property taxes		3,336	
Tax liens		4,299	
Due from other governments		2,325,591	2,333,226
		\$	3,974,146

D. Capital Assets

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,522,428	\$ 150,000	\$ (1,211)	\$ 15,671,217
Construction in Progress	13,955	2,072,682	-	2,086,637
Total capital assets not being depreciated	15,536,383	2,222,682	(1,211)	17,757,854
Capital assets being depreciated:				
Buildings and Renovations	129,964,495	-	-	129,964,495
Machinery, equipment and other	7,590,847	280,633	-	7,871,480
Infrastructure	11,208,779	-	-	11,208,779
Total capital assets being depreciated	148,764,121	280,633	-	149,044,754
Less accumulated depreciation for:				
Buildings and Renovations	36,471,645	4,562,475	-	41,034,120
Machinery, equipment and other	5,972,611	449,680	-	6,422,291
Infrastructure	3,887,335	555,330	-	4,442,665
Total accumulated depreciation	46,331,591	5,567,485	-	51,899,076
Total capital assets being depreciated, net	102,432,530	(5,286,852)	-	97,145,678
Total governmental activities capital assets, net	\$ 117,968,913	\$ (3,064,170)	\$ (1,211)	\$ 114,903,532

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in Progress	\$ 28,819,960	\$ 7,389,110	\$ -	\$ 36,209,070
Total capital assets not being depreciated	28,819,960	7,389,110	-	36,209,070
Capital assets being depreciated:				
Machinery, equipment and other	431,357	-	-	431,357
Infrastructure	32,021,084	-	-	32,021,084
Total capital assets being depreciated	32,452,441	-	-	32,452,441
Less accumulated depreciation for:				
Machinery, equipment and other	237,240	47,981	-	285,221
Infrastructure	20,848,975	409,460	-	21,258,435
Total accumulated depreciation	21,086,215	457,441	-	21,543,656
Total capital assets being depreciated, net	11,366,226	(457,441)	-	10,908,785
Total governmental activities capital assets, net	\$ 40,186,186	\$ 6,931,669	\$ -	\$ 47,117,855

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

Governmental Activities:	
General government	\$ 760,201
Public safety	554,315
Public works	800,756
Education	3,164,225
Health and human services	11,194
Culture and recreation	276,794
Total depreciation expense - governmental activities	<u>\$ 5,567,485</u>
Business-Type Activities:	
Sewer fund	<u>\$ 457,441</u>

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2018, are summarized below:

Transfers In:	Transfers Out:			
	General fund	Nonmajor Governmental fund	Business-type fund	Total
General fund	\$ -	\$ 8,168	\$ 240,184	\$ 248,352
Nonmajor governmental funds	1,555,810	-	-	1,555,810
Total transfers out	<u>\$ 1,555,810</u>	<u>\$ 8,168</u>	<u>\$ 240,184</u>	<u>\$ 1,804,162</u>

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

F. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental type activities are as follows:

Governmental Activities						
Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2017	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2018
Bond Anticipation Notes:						
Highway facility	1.85%	5/16/2019	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000

Details related to the short-term debt activity of the business type fund are as follows:

Business-type Activities						
Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2017	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2018
Bond anticipation notes:						
Sewer Fund						
Massachusetts Clean Water Trust - Interim Loan						
CWP - 15 - 14A	0.13%	12/31/2018	\$ 10,595,101	\$ 7,349,821	\$ -	\$ 17,944,922

G. Long Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2018
Governmental Activities:					
Inside Debt Limit:					
New Fire Station	4.25%	10/15/2008	6/15/2019	5,500,000	\$ 550,000
Land Acquisition - CPA	3.73%	5/15/2009	2/15/2029	1,155,000	60,000
School - Modular Classrooms	2.86%	5/15/2009	2/15/2019	750,000	75,000
New High School	3.47%	5/1/2010	2/1/2030	9,100,000	2,210,000
New High School	4.24%	4/1/2011	4/1/2031	10,000,000	2,915,000
New High School	3.03%	4/12/2012	4/1/2032	16,650,000	12,880,000
Energy Conservation	2.0-3.0%	11/13/2013	2/15/2028	4,767,000	3,670,000
Town House Restoration	2.58%	4/15/2015	11/15/2034	1,100,000	970,000
Land Acquisition - CPA	2.22%	12/12/2017	2/1/2029	520,000	515,000
New High School	2.45%	12/12/2017	2/1/2030	3,685,000	3,635,000
New High School	2.62%	12/12/2017	2/1/2031	4,660,000	4,361,726
Total inside debt					<u>31,841,726</u>
Outside Debt Limit:					
Massachusetts Clean Water Trust:					
Title V septic repair program	N/A	9/29/2000	8/1/2019	79,932	8,330
Total governmental type debt					<u>\$ 31,850,056</u>

Future Debt Service

The annual principal and interest payments to retire all governmental type long term debt outstanding as of June 30, 2018, are as follows:

Year	Principal	Interest	Total
2019	\$ 2,607,948	\$ 1,165,392	\$ 3,773,340
2020	2,052,948	1,057,995	3,110,943
2021	2,118,783	981,241	3,100,024
2022	2,175,000	903,778	3,078,778
2023	2,255,000	818,178	3,073,178
2024-2028	12,324,203	2,716,810	15,041,013
2029-2033	8,176,174	660,326	8,836,500
2034-2035	140,000	4,200	144,200
	<u>\$ 31,850,056</u>	<u>\$ 8,307,920</u>	<u>\$ 40,157,976</u>

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

General obligation bonds currently outstanding of the business-type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2018
Business-type Activities:					
Inside Debt Limit:					
Sewer Fund:					
Sewer	4.24%	4/1/2011	4/1/2031	\$ 510,000	\$ 150,000
Sewer Treatment Facility	3.03%	4/15/2015	11/15/2044	2,700,000	2,530,000
Sewer	2.62%	12/12/2017	2/1/2031	226,925	223,274
Massachusetts Clean Water Trust:					
Sewer Treatment Facility	2.40%	4/13/2017	1/15/2047	14,613,300	14,284,820
Total business-type debt					<u>\$ 17,188,094</u>

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2018, are as follows:

Year	Principal	Interest	Total
2019	\$ 418,182	\$ 436,486	\$ 854,668
2020	436,886	425,112	861,998
2021	445,814	415,230	861,044
2022	453,756	404,133	857,889
2023	463,152	392,203	855,355
2024-2028	2,546,206	1,763,761	4,309,967
2029-2033	2,833,315	1,417,994	4,251,309
2034-2038	3,110,842	1,049,961	4,160,803
2039-2043	3,559,538	631,688	4,191,226
2044-2047	2,920,403	170,164	3,090,567
	<u>\$ 17,188,094</u>	<u>\$ 7,106,732</u>	<u>\$ 24,294,826</u>

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

A summary of the changes in governmental activities and business-type long-term liabilities during the year is as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due within One Year
Governmental activities:					
Bonds Payable:					
General obligation bonds Massachusetts Clean Water Trust bonds	\$ 34,765,000	\$ 8,638,075	\$ 11,561,349	\$ 31,841,726	\$ 2,603,783
Capital leases	12,495	-	4,165	8,330	4,165
Compensated absences	123,411	-	123,411	-	-
OPEB liability obligation	844,320	84,043	65,154	863,209	229,448
Net pension liability	52,592,657	3,468,215	-	56,060,872	-
Governmental activity Long-term liabilities	24,112,255	-	314,826	23,797,429	-
	<u>\$ 112,450,138</u>	<u>\$ 12,190,333</u>	<u>\$ 12,068,905</u>	<u>\$ 112,571,566</u>	<u>\$ 2,837,396</u>
Business-type activities:					
Bonds Payable:					
General obligation bonds Massachusetts Clean Water Trust bonds	\$ 2,990,000	\$ 226,925	\$ 313,651	\$ 2,903,274	\$ 81,217
Compensated absences	14,613,300	-	328,480	14,284,820	336,965
OPEB obligation payable	73,856	7,378	-	81,234	26,211
Net pension liability	450,870	29,732	-	480,602	-
Total sewer activities Long-term liabilities	821,951	-	10,732	811,219	-
	<u>\$ 18,949,977</u>	<u>\$ 264,035</u>	<u>\$ 652,863</u>	<u>\$ 18,561,149</u>	<u>\$ 444,393</u>

Massachusetts Clean Water Trust (MCWT)

The Town is subsidized by the MCWT on a periodic basis for principal in the amount of \$14,693,232 and interest costs of \$6,052,716 for two loans which the Town has borrowed from MCWT. The gross amount outstanding at June 30, 2018 for principal and interest combined for the loans is \$20,042,629 with subsidies amounting to \$463. The net repayments, including interest, are scheduled to be \$20,042,166. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2018 principal and interest subsidies totaled \$588.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Advanced Refunding – December 12, 2017

During fiscal year 2018, the Town advance refunded a general obligation bond issue with a general obligation refunding note. Of this issue, the Town issued \$8,865,000 of general obligation refunding bonds to provide resources to purchase U. S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general obligation long-term debt account group and the enterprise fund debt. This advance refunding was undertaken to advance refund \$555,000 of land acquisition dated May 15, 2009; \$3,865,000 of school bonds originally dated May 1, 2010; \$4,495,000 of school bonds originally dated April 1, 2011; and \$230,000 of sewer project bonds originally dated April 1, 2011 to obtain an economic gain of approximately \$885,931.

To provide for the payment of the refunded debt, the Town deposited \$9,108,587 into an irrevocable fund designated the "Town of Grafton, Massachusetts Refunding Escrow Agreement." The market value of the trust at June 30, 2018 was \$9,108,587.

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2018 totaled \$49,029,820.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2018:

Equalized Valuation-Real Estate and Personal Property (2018)			\$ 2,596,289,300
Debt Limit: 5 % of Equalized value			129,814,465
Total Debt Outstanding	\$ 49,038,150		
Less: Debt Outside Debt Limit	(8,330)		49,029,820
Inside Debt Excess Borrowing Capacity at June 30, 2018			\$ 80,784,645

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Loan authorizations that have not been issued as of June 30, 2018 and are not reflected in the Town's financial statements are as follows:

Date Town Meeting Authorized	Purpose	Amount
10/20/2014	Wastewater Treatment Facility upgrades	\$ 13,741,777
5/8/2017	Library construction/renovation	16,597,997
5/8/2017	Construction of a new highway facility	11,700,000
5/8/2017	Sewer pump station upgrades	3,000,000
		<u>\$ 45,039,774</u>

Overlapping Debt

The Town pays assessments; which includes debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of the governmental unit, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

	Current Year's Long Term Debt	Town's Estimated Share	Town's Estimated Indirect Debt
Blackstone Valley Regional Vocational Technical High School	<u>\$ 2,675,000</u>	10.80%	<u>\$ 288,900</u>

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

H. Fund Balances

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2018:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Permanent funds	\$ -	\$ 758,244	\$ 758,244
Restricted:			
Federal, state and local grants	-	298,145	298,145
School federal and state grants	-	911,192	911,192
School revolving funds	-	479,938	479,938
Town revolving funds	-	1,548,798	1,548,798
Donations and gifts	-	238,276	238,276
Community preservation fund	-	1,249,318	1,249,318
Debt service	453,753	-	453,753
Capital projects	-	133,362	133,362
Permanent funds	-	493,569	493,569
Other	-	1,661,739	1,661,739
	<u>453,753</u>	<u>7,014,337</u>	<u>7,468,090</u>
Committed:			
Capital projects	-	2,207,766	2,207,766
Town meeting articles	1,127,033	-	1,127,033
	<u>1,127,033</u>	<u>2,207,766</u>	<u>3,334,799</u>
Assigned:			
Encumbrances	277,052	-	277,052
Subsequent year's budget	1,060,368	-	1,060,368
	<u>1,337,420</u>	<u>-</u>	<u>1,337,420</u>
Unassigned:			
General Fund	6,491,967	-	6,491,967
Deficit capital projects	-	(146,374)	(146,374)
	<u>6,491,967</u>	<u>(146,374)</u>	<u>6,345,593</u>
Total Governmental fund balances	<u>\$ 9,410,173</u>	<u>\$ 9,833,973</u>	<u>\$ 19,244,146</u>

I. Special Trust Funds

Stabilization Fund

Massachusetts General Laws, Chapter 40, Section 5B, allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. Any interest shall be added to and become a part of the fund.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

At June 30, 2018 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 3,374,642
Capital stabilization fund	<u>118,847</u>
	<u><u>\$ 3,493,489</u></u>

4. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

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

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, Town management believes such disallowances, if any, will not be material.

C. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued.

D. Tax Abatements

The Town enters into property tax abatement agreements with local businesses under the Commonwealth of Massachusetts Economic Development Incentive Program Act of 1993 and as amended in 2009. Under this Act, state municipalities may grant property tax abatements of up to 100% of a business' property tax bill for the purpose of attracting or retaining these businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Town of Grafton.

As of June 30, 2018, the Town of Grafton entered into the following tax abatement agreements under this program.

A 40% to 80% property tax abatement agreement was approved in June 2017 for the 103 Worcester Street, LLC to make construct a dental/medical facility on the property of at least \$2.1 million, relocate and retain seven (7) full-time jobs and create twenty (20) new permanent full-time jobs within five years. The abatements begin in fiscal year 2019.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

E. Pension Plan

Plan Description

The Town is a member of the Worcester Regional Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the Worcester Regional Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers except for current and retired teachers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan, to which the Town does not contribute. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for the contributions and future benefit requirements of the MTRS.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in the MTRS. Since the Town does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2017. The Town's portion of the collective pension expense contributed by the Commonwealth of \$7,292,314 on-behalf payments for the fiscal year ending June 30, 2018 is reported as intergovernmental revenues and insurance and employee benefits expenditures in the General Fund as of the measurement date.

Benefits Provided

Both the System and MTRS provide retirement, disability, and death benefits to plan members and beneficiaries. Members become vested after 10 years of creditable service and are eligible for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her Group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

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

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

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Contributions

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2017 was \$1,527,028, representing 15.35% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

Pension Liability

As of June 30, 2018, the Town reported a liability of \$24,608,648 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2017, the Town's proportional percentage was 3.0179%, which was a slight increase from the last measurement.

Pension Expense

For the year ended June 30, 2018, the Town recognized a pension expense of \$3,200,317 and reported deferred outflows of resources related to pensions of \$2,747,734 from the net difference between expected and actual experience, changes in assumptions and change in allocated proportion; and deferred inflows of resources related to pensions of \$884,023 from the net differences between projected and actual investment earnings and the change in allocated proportion.

The Town's net deferred outflows/(inflows) of resources related to pensions will be recognized in the pension expense as follows:

<u>For years ended June 30,</u>	
2019	\$ 678,348
2020	675,458
2021	387,793
2022	<u>122,112</u>
	<u>\$ 1,863,711</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 December 31, 2017;

Valuation date	January 1, 2016
Actuarial cost method	Entry Age Normal

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Amortization method	<p><i>Unfunded Actuarial Accrued Liability (UAAL):</i> Increasing dollar amount at 4.0% to reduce the UAAL to zero on or before June 30, 2035. The annual increase in appropriation is further limited to 9.95%.</p> <p><i>2002 & 2003 Early Retirement Incentive (ERI):</i> Increasing dollar amount at 4.0% to reduce the 2002 & 2003 ERI to zero on or before June 30, 2028 and the <i>2010 ERI to zero</i> on or before June 30, 2022.</p>
Asset valuation method	<p>The actuarial value of assets is the market value of assets as of the valuation date reduced by the sum of: 80% of the gains and losses of the prior year, 60% of the gains and losses of the second prior year, 40% of the gains and losses of the third prior year, and 20% of the fourth prior year. Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.</p>
Inflation	3.0% per year
Salary increases	Group 1: 4.25% -- 6.00%, based on service Group 4: 4.75% -- 7.00%, based on service
Payroll growth	4.0% per year
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB for disabled members

Long-term Expected Rate of Return

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 weighing 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 class included in the pension plan's target asset allocation as of December 31, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40%	4.91%
Fixed income	22%	2.04%
Private Equity	11%	6.50%
Real Estate	10%	3.70%
Timber/Natural Resources	4%	3.25%
Hedge Funds	13%	3.40%
Total	100%	

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 16.71%. The money-weighted rate of return considers the changing amounts actually invested during a period and weighs the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments or current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease	Current	Discount Rate	1% Increase
	6.75%	7.75%	7.75%	8.75%
Net pension liability	\$ 29,992,649	\$ 24,608,648	\$	20,061,825

F. Other Post Employment Benefits Payable

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

In addition to providing pension benefits, the Town provides post employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. There are approximately 802 active, retired employees and beneficiaries that meet the eligibility requirements. The plan does not issue a separate financial report.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Investment Policy

The Town's policy in regard to the allocation of invested assets is established and may be amended by the Board of Selectmen by majority vote of its members. The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy. As of June 30, 2018, investments, concentration and rate of return information consisted of pooled funds in the Town's Commonwealth Financial investments described earlier under Deposits and Investments (refer to note 3A).

GASB Statement No. 74 – Financial Reporting for OPEB Plans

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. The Town contributes 55% to 75% of the cost of current year premiums for eligible retired plan members and their survivors. For the 2018 fiscal year, total Town contributed \$1,285,141 to the plan. The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. The trust balance is \$107,033 as of June 30, 2018.

Measurement Date

GASB Statement No. 74 requires the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017.

Plan Membership:

Current active members	602
Current retirees, beneficiaries and dependents	187
Entitled inactive plan members	13
Total	802

Net OPEB Liability

The components of the net OPEB liability are as follows:

	June 30, 2018
Total OPEB liability	\$ 55,610,208
Less: Plan fiduciary net position	(107,033)
Town's Net OPEB liability	\$ 55,503,175
Plan fiduciary net position as a percentage of the total OPEB liability	0.19%

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Actuarial Assumptions

The actuarially determined contribution used towards the total OPEB liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2018;

Valuation date	January 1, 2017
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market value of assets with payables and receivables
Investment rate of return	3.87% annually, net of OPEB plan investment expenses
Single Equivalent Discount rate	3.87% annually, net of OPEB plan investment expenses
Inflation rate	3.00% annually
Participant salary increases	3.75% as of June 30, 2018 and for future periods
Mortality rates	
Pre-retirement Mortality	RP-2000 Employee Mortality Table projected generationally with Scale BB
Post-retirement Mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB
Disabled Mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and set forward two years

The actuarial assumptions used in the January 1, 2017 valuation were reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2018 is 3.87%.

Long-term Expected Rate of Return

The chart below shows how the long-term rate of return on assets is developed based on the Town's Investment Policy Statement:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	29.00%	6.11%
International Equity	19.00%	2.78%
Domestic Bonds	26.00%	3.82%
International Bonds	6.00%	3.94%
Alternatives	20.00%	3.67%
Total	100.00%	

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 2.65%.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. 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 that member employer contributions will be made in accordance Massachusetts General Law Chapter 32. Based on those assumptions, the OPEB plan 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 Town's net OPEB liability 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 (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Town's net OPEB liability	\$ 66,081,556	\$ 55,503,175	\$ 47,260,062

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

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Town's net OPEB liability	\$ 45,544,491	\$ 55,503,175	\$ 68,836,381

GASB Statement No. 75 – Financial Reporting for OPEB Employer

Summary of Significant Accounting Policies

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

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. For the period ending on June 30, 2017 measurement date, the total Town premiums plus implicit costs for the retiree medical program were \$1,216,568. The Town also made a contribution to an OPEB Trust of \$100,000 for a total contribution during the measurement period of \$1,316,568 to be reported on the financial statement for the fiscal year ending June 30, 2018.

Measurement Date

GASB Statement No. 75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year, consistently applied from period to period. Accordingly, the net OPEB liability was measured as of June 30, 2017 for a reporting date of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017.

Plan Membership:

Current retirees, beneficiaries and dependents	187
Entitled inactive plan members	13
Total	802

Net OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2017 for a reporting date of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The components of the net OPEB liability are as follows:

	6/30/2018
Total OPEB liability	\$ 56,645,748
Less: Plan fiduciary net position	(104,274)
Town's Net OPEB liability	\$ 56,541,474
Plan fiduciary net position as a percentage of the total OPEB liability	0.18%

Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement for the reporting date of June 30, 2018:

Valuation date	January 1, 2017
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market value of assets with payables and receivables
Investment rate of return	3.59% annually, net of OPEB plan investment expenses

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Single Equivalent Discount rate	3.59% annually, net of OPEB plan investment expenses
Inflation rate	3.00% annually
Participant salary increases	3.75% annually
Mortality rates	
Pre-retirement Mortality	RP-2000 Employee Mortality Table projected generationally with Scale BB
Post-retirement Mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB
Disabled Mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and set forward two years

The actuarial assumptions used in the January 1, 2017 valuation were reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2017 is 3.58%.

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 2.45%.

Long-term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments is developed based on the Town's investment policy is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	29.00%	6.11%
International Equity	19.00%	2.78%
Domestic Bonds	26.00%	3.82%
International Bonds	6.00%	3.94%
Alternatives	20.00%	3.67%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 3.59%. 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 that member employer contributions will be made in accordance Massachusetts General Law Chapter 32. Based on those assumptions, the OPEB plan 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.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Total OPEB Liability
Balances at July 1, 2017 GASB 75	\$ 53,046,209	\$ 2,682	\$ 53,043,527
Service cost	2,831,734	-	2,831,734
Interest	1,984,373	-	1,984,373
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Difference between actual and expected experience	-	-	-
Net investment income	-	1,592	(1,592)
Employer contributions to Trust	-	1,316,568	(1,316,568)
Total benefit payments including implicit cost	(1,216,568)	(1,216,568)	-
Administrative expense	-	-	-
Other charges	-	-	-
Net change in total OPEB liability	<u>3,599,539</u>	<u>101,592</u>	<u>3,497,947</u>
Balances at June 30, 2018 GASB 75	<u>\$ 56,645,748</u>	<u>\$ 104,274</u>	<u>\$ 56,541,474</u>

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

The following presents the Town's net OPEB liability 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 (2.59%) or 1-percentage-point higher (4.59%) than the current rate:

	1% Decrease (2.59%)	Current Discount Rate (3.59%)	1% Increase (4.59%)
Town's net OPEB liability	\$ 67,856,203	\$ 56,541,474	\$ 47,763,500

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Town's net OPEB liability	\$ 46,411,798	\$ 56,541,474	\$ 70,128,820

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

For the year ended June 30, 2018, the GASB Statement No. 75 reporting period and fiscal year ending date, the Town recognized an OPEB expense of \$4,814,276 and reported deferred outflows of resources related to OPEB of \$240 and deferred inflows of resources related to OPEB of \$0.

The Town's net deferred outflows/(inflows) of resources related to OPEB will be recognized in the OPEB expense as follows:

For years ended June 30,	
2019	\$ 60
2020	60
2021	60
2022	60
	\$ 240

G. Implementation of New GASB Pronouncements

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Post employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2018.

The GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, for implementation in fiscal year 2018.

The GASB issued Statement No. 85, *Omnibus 2018*, for implementation in fiscal year 2018.

The GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, for implementation in fiscal year 2018.

H. Future GASB Pronouncements

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

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, for implementation in fiscal year 2019.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, for implementation in fiscal year 2019.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2021.

5. RESTATEMENT

The net position as of June 30, 2018 has been restated. As required by GASB Statement No. 75, the beginning net position decreased \$29,687,189 (\$29,603,185 for governmental activities and \$84,004 for business-type activities) to reflect the change in the other post employment (OPEB) liability. Accordingly, the previously reported net position of \$78,469,454 has been revised to \$48,782,265 {\$31,797,732 for governmental activities and \$16,984,533 for business-type activities}.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF GRAFTON, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2018

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the Town's proportion of the net pension liability and related ratios.

Schedule of the Town's Proportionate Share of the Net pension Liability:

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Town's proportion of the net pension liability (asset)	3.0179%	2.9769%	2.9795%	3.0152%
Town's proportionate share of the net pension liability (asset)	\$ 24,608,648	\$ 24,934,203	\$ 21,148,493	\$ 17,942,770
Town's covered employee payroll	\$ 9,948,856	\$ 9,958,855	\$ 8,975,245	\$ 8,630,043
Net pension liability percentage of covered-employee payroll	247.35%	250.37%	235.63%	207.91%
Plan fiduciary net position as a percentage of the total pension liability	46.40%	42.00%	44.52%	47.94%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF GRAFTON, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Worcester Regional Retirement System
For the Year Ended June 30, 2018

The Schedule of the Employer Contributions presents multiyear trend information on the Town's required and actual payments to the pension plan and related ratios.

Schedule of the Town's Contributions:

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarially determined contribution	\$ 1,527,028	\$ 1,446,017	\$ 1,340,346	\$ 1,191,597
Less: Contributions in relation to the actuarially determined contribution	<u>(1,527,028)</u>	<u>(1,446,017)</u>	<u>(1,340,346)</u>	<u>(1,191,597)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 9,948,856	\$ 9,958,855	\$ 8,975,245	\$ 8,630,043
Contributions percentage of covered-employee payroll	15.35%	14.52%	14.93%	13.81%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF GRAFTON, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan (GASB 74) Schedule
For the Year Ended June 30, 2018

Schedule of Changes in the Net OPEB Liability:

	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB liability		
Service cost	\$ 2,937,924	\$ 2,831,734
Interest on net OPEB liability	2,115,986	1,984,373
Changes in Benefit terms	-	-
Changes in Assumptions	(4,804,309)	-
Difference between actual and expected experience	-	-
Benefit payments, including refunds of member contributions	<u>(1,285,141)</u>	<u>(1,216,568)</u>
Net change in total OPEB liability	(1,035,540)	3,599,539
Total OPEB liability-beginning	<u>56,645,748</u>	<u>53,046,209</u>
Total OPEB liability-ending (a)	<u>\$ 55,610,208</u>	<u>\$ 56,645,748</u>
 Plan fiduciary net position		
Net investment income	2,759	\$ 1,592
Employer contributions to Trust	1,285,141	1,316,568
Benefit payments	<u>(1,285,141)</u>	<u>(1,216,568)</u>
Net change in plan fiduciary net position	2,759	101,592
Total fiduciary net position-beginning	<u>104,274</u>	<u>2,682</u>
Total fiduciary net position-ending (b)	<u>\$ 107,033</u>	<u>\$ 104,274</u>
 Town's net OPEB liability (a-b)	 <u><u>\$ 55,503,175</u></u>	 <u><u>\$ 56,541,474</u></u>

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF GRAFTON, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan (GASB 74) Schedule
For the Year Ended June 30, 2018

Schedule of Net OPEB Liability (amounts are in thousands):

	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB liability	\$ 55,610,208	\$ 56,645,748
Less: Plan fiduciary net position	<u>(107,033)</u>	<u>(104,274)</u>
Town's Net OPEB liability	<u>\$ 55,503,175</u>	<u>\$ 56,541,474</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.19%	 0.18%

Schedule of Contributions (amounts are in thousands):

	<u>6/30/2018</u>	<u>6/30/2017</u>
Actuarially determined contribution	\$ 2,691,000	\$ 4,937,867
Less: Contributions in relation to the actuarially determined contribution	<u>(1,285,000)</u>	<u>(1,316,568)</u>
Contribution deficiency (excess)	<u>\$ 1,406,000</u>	<u>\$ 3,621,299</u>
 Annual money-weighted rate of return net of investment expense	 2.65%	 2.45%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF GRAFTON, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan (GASB 74) Schedules
For the Year Ended June 30, 2018

Schedule of Funding Progress:

Other Post Employment Benefits							
Date	Actuarial Fiduciary Net Position (A)	Actuarial Total OPEB Liability (B)	Actuarial Net OPEB Liability (B-A)	Actuarial Funded Ratio (A/B)	Actuarial Covered Payroll (C)	Actuarial Percentage of Covered Payroll ((B-A)/C)	
6/30/2018	\$ 107,033	\$ 55,610,208	\$ 55,503,175	0.19%	N/A	N/A	
6/30/2017	\$ 104,274	\$ 56,645,748	\$ 56,541,474	0.18%	N/A	N/A	

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF GRAFTON, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan (GASB 75) Schedules
For the Year Ended June 30, 2018

Schedule of Changes in the Net OPEB Liability:

	6/30/2018
Total OPEB liability	
Service cost	\$ 2,831,734
Interest on net OPEB liability	1,984,373
Changes in Benefit terms	-
Changes in Assumptions	-
Difference between actual and expected experience	-
Benefit payments, including refunds of member contributions	(1,216,568)
Administrative expense	-
Other charges	-
Net change in total OPEB liability	3,599,539
Total OPEB liability-beginning	53,046,209
Total OPEB liability-ending (a)	\$ 56,645,748
 Plan fiduciary net position	
Net investment income	\$ 1,592
Employer contributions to Trust	1,316,568
Benefit payments, including refunds of member contributions	(1,216,568)
Net change in plan fiduciary net position	101,592
Total fiduciary net position-beginning	2,682
Total fiduciary net position-ending (b)	\$ 104,274
 Town's net OPEB liability (a-b)	 \$ 56,541,474

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF GRAFTON, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan (GASB 75) Schedules
For the Year Ended June 30, 2018

Schedule of Net OPEB Liability:

	6/30/2018
Total OPEB liability	\$ 56,645,748
Less: Plan fiduciary net position	(104,274)
Town's Net OPEB liability	\$ 56,541,474
 Plan fiduciary net position as a percentage of the total OPEB liability	0.18%

Schedule of Contributions:

	6/30/2018
Actuarially determined contribution	\$ 4,937,867
Less: Contributions in relation to the actuarially determined contribution	(1,316,568)
Contribution deficiency (excess)	\$ 3,621,299
 Annual money-weighted rate of return net of investment expense	2.45%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF GRAFTON, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan (GASB 75) Schedules
For the Year Ended June 30, 2018

Schedule of Funding Progress:

Other Post Employment Benefits						
Actuarial Reporting Date	Actuarial Fiduciary Net Position (A)	Actuarial Total OPEB Liability (B)	Actuarial Net OPEB Liability (B-A)	Actuarial Funded Ratio (A/B)	Actuarial Covered Payroll (C)	Actuarial Percentage of Covered Payroll ((B-A)/C)
6/30/2018	\$ 104,274	\$ 56,645,748	\$ 56,541,474	0.18%	N/A	N/A

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

SUPPLEMENTARY SCHEDULES

**TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Fund Balances				Other Financing	Fund Balances
	July 1, 2017	Revenues	Expenditures	Sources (Uses)	June 30, 2018	
Special Revenue:						
Federal and State Grants:						
School Grants	\$ 19,203	\$ 930,280	\$ 925,716	\$ -	\$ -	\$ 23,767
Arts Lottery Council Grants	5,373	5,023	6,192	-	-	4,204
Council on Aging Grants	200	27,755	27,955	-	-	-
Extended Polling Hours	3,646	4,049	-	-	-	7,695
Health Grants	38,106	36,380	42,876	-	-	31,610
Highway Grants	-	429,455	429,455	-	-	-
Library Grants	57,034	22,520	806	-	-	78,748
Other Grants and Programs	27,625	44,171	15,461	-	-	56,335
Planning Grants	21,664	33,845	51,383	-	-	4,126
Public Safety Grants	67,238	145,986	98,109	310	-	115,425
Schools:						
School Lunch Revolving	49,340	767,878	764,939	-	-	52,279
School Lunch Commodities	-	47,564	47,564	-	-	-
Privately Funded Grants	27	-	-	-	-	27
School Choice	302,443	421,695	437,100	-	-	287,038
School Revolving Accounts	360,726	774,934	708,000	-	-	427,660
State Special Education Reimbursement Fund	378,218	717,557	495,415	-	-	600,360
Other:						
Animal Damage Reserve Fees	26,828	2,694	-	-	-	29,522
Commission on Disability Parking Fines	600	-	-	-	-	600
Community Preservation Fund	1,085,252	384,484	220,418	-	-	1,249,318
Conservation Fees	191,006	28,944	30,882	-	-	189,068
Council on Aging Revolving	56,230	98,424	85,761	-	-	68,893
Fire Department Revolving	6,560	5,668	2,868	-	-	9,360
Gifts and Donations	235,226	52,728	49,678	-	-	238,276
Health Department Revolving	14,915	24,398	15,163	-	-	24,150
Home Composting Bins Revolving	4,305	255	-	-	-	4,560
Insurance Recovery	1,357	3,698	3,748	-	-	1,307
Law Enforcement Fund	6,665	25	-	-	-	6,690
Library Grafton Education Association Grant	1,940	900	2,150	-	-	690
Library Materials Replacement Revolving	7,951	4,252	465	-	-	11,738
Municipal Waterways Revolving Funds	12,598	-	-	-	-	12,598
Total Special Revenue Page 75	\$ 2,982,276	\$ 5,015,562	\$ 4,462,104	\$ 310	\$ -	\$ 3,536,044

**TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Fund Balances July 1, 2017	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2018
Continued from Page 75	\$ 2,982,276	\$ 5,015,562	\$ 4,462,104	\$ 310	\$ 3,536,044
Other (Continued):					
Municipal Center Use Revolving	754	462	-	-	1,216
Old Town Hall Revolving	(6,479)	17,271	8,702	-	2,090
PEG Access/Verizon	644,033	291,526	142,759	-	792,800
Planning Board Revolving	93,318	88,753	76,595	-	105,476
Police Outside Detail	-	531,291	531,291	-	-
Recreation Revolving	178,605	325,011	302,850	(8,168)	192,598
Sale of Cemetery Lots	67,585	7,900	-	-	75,485
Sale of Real Estate	-	-	-	25,549	25,549
Septic Repair Betterment Repayments	31,537	588	4,753	-	27,372
South Grafton Community House Facility Revolving	18,269	6,150	-	-	24,419
Transportation Infrastructure	-	1,228	-	-	1,228
Treasurer Tax Title Fees	1,509	69,083	66,367	-	4,225
Affordable Housing Fund	1,490,734	75,277	3,340	-	1,562,671
Conservation Fund	24,224	(354)	-	-	23,870
Unemployment Compensation Fund	31,188	(295)	74,030	55,500	12,363
Total Special Revenue Funds	5,557,553	6,429,453	5,672,791	73,191	6,387,406
Capital Projects:					
School Projects:					
Elementary School Construction	13,515	-	-	-	13,515
High and Middle School Renovations	2,837	-	-	-	2,837
Middle School Renovations	34	-	-	-	34
Highway Facility Upgrade	-	-	146,374	-	(146,374)
Fire Station	116,976	-	-	-	116,976
Road Stabilization	2,382,151	-	1,674,558	1,500,000	2,207,593
Stow Road Construction	173	-	-	-	173
Total Capital Projects	\$ 2,515,686	\$ -	\$ 1,820,932	\$ 1,500,000	\$ 2,194,754

**TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Fund Balances July 1, 2017	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2018
Perpetual Permanent Funds:					
Ann Cochiola Fund	\$ 5,040	\$ -	\$ -	\$ -	\$ 5,040
Campbell Fund	1,815	-	-	-	1,815
Cemetery Perpetual Care Fund	649,704	17,700	-	-	667,404
Library Fund	71,985	-	-	-	71,985
Palmer Gift - Pine Grove Fund	1,000	-	-	-	1,000
Whitin Gate and Bell Fund	11,000	-	-	-	11,000
Total Perpetual Permanent Funds	740,544	17,700	-	-	758,244
Permanent Funds:					
Ann Cochiola Fund	5,669	(156)	-	-	5,513
Campbell Fund	2,374	(61)	-	-	2,313
Cemetery Perpetual Care Fund	226,666	(12,635)	-	-	214,031
Library Fund	243,501	(4,606)	-	-	238,895
Palmer Gift - Pine Grove Fund	7,890	(130)	-	-	7,760
Whitin Gate and Bell Fund	25,591	(534)	-	-	25,057
Total Permanent Funds	511,691	(18,122)	-	-	493,569
Total Non-Major Governmental Funds	\$ 9,325,474	\$ 6,429,031	\$ 7,493,723	\$ 1,573,191	\$ 9,833,973

**TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND ROLLBACK TAXES
AND COMMUNITY PRESERVATION SURCHARGE
JULY 1, 2017 TO JUNE 30, 2018**

	Uncollected Taxes July 1, 2017	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2018	Uncollected Taxes Per Detail June 30, 2018
Real Estate Taxes:						
Levy of 2018	\$ -	\$ 39,394,351	\$ 306,353	\$ 38,770,657	\$ 317,341	\$ 317,341
Levy of 2017	344,421	13,605	52,251	305,775	-	-
	<u>344,421</u>	<u>39,407,956</u>	<u>358,604</u>	<u>39,076,432</u>	<u>317,341</u>	<u>317,341</u>
Personal Property Taxes:						
Levy of 2018	-	1,028,655	26	1,024,580	4,049	4,049
Levy of 2017	51,187	-	-	48,606	2,581	2,581
Levy of 2016	4,583	-	-	115	4,468	4,468
Levy of 2015	1,716	-	-	31	1,685	1,685
Levy of 2014	3,384	-	(12)	12	3,384	3,384
Prior Years	16,107	-	-	-	16,107	16,107
	<u>76,977</u>	<u>1,028,655</u>	<u>14</u>	<u>1,073,344</u>	<u>32,274</u>	<u>32,274</u>
Rollback Taxes	-	21,054	-	21,054	-	-
Total Real Estate, Personal Property and Rollback Taxes	<u>\$ 421,398</u>	<u>\$ 40,457,665</u>	<u>\$ 358,618</u>	<u>\$ 40,170,830</u>	<u>\$ 349,615</u>	<u>\$ 349,615</u>
Community Preservation Surcharge:						
Levy of 2018	\$ -	\$ 430,042	\$ 3,205	\$ 423,501	\$ 3,336	\$ 3,336
Levy of 2017	3,460	203	426	3,237	-	-
Total Community Preservation Surcharge	<u>\$ 3,460</u>	<u>\$ 430,245</u>	<u>\$ 3,631</u>	<u>\$ 426,738</u>	<u>\$ 3,336</u>	<u>\$ 3,336</u>

**TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE AND BOAT EXCISE TAXES
JULY 1, 2017 TO JUNE 30, 2018**

	Uncollected Taxes July 1, 2017	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2018	Uncollected Taxes Per Detail June 30, 2018
Motor Vehicle Excise Taxes:						
Levy of 2018	\$ -	\$ 2,676,355	\$ 38,297	\$ 2,414,029	\$ 224,029	\$ 224,029
Levy of 2017	306,518	295,857	25,335	540,093	36,947	36,947
Levy of 2016	33,520	308	969	21,435	11,424	11,424
Levy of 2015	12,302	-	1,752	1,132	9,418	9,418
Levy of 2014	11,054	-	-	1,293	9,761	9,761
Prior Years	133	-	(1)	-	134	133
Total Motor Vehicle Excise Taxes	363,527	2,972,520	66,352	2,977,982	291,713	291,712
Boat Excise Taxes:						
Levy of 2015	245	-	-	-	245	245
Levy of 2014	667	-	1	-	666	666
Total Boat Excise Taxes:	912	-	1	-	911	911
Total Motor Vehicle and Boat Excise Taxes	\$ 364,439	\$ 2,972,520	\$ 66,353	\$ 2,977,982	\$ 292,624	\$ 292,623

**TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2017 TO JUNE 30, 2018**

	Uncollected Accounts July 1, 2017	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2018	Uncollected Accounts Per Detail June 30, 2018
General Fund:						
Tax Liens	\$ 955,698	\$ 198,692	\$ (82,839)	\$ 165,256	\$ 1,071,973	\$ 1,071,973
Non-major Governmental Fund:						
Community Preservation Surcharge:						
Tax Liens	\$ 4,204	\$ 924	\$ -	\$ 829	\$ 4,299	\$ 4,299