

TOWN OF GRAFTON, MASSACHUSETTS

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

For the Year Ended June 30, 2017

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, 2017, 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, 2017, 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 28, 2018, 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 and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

February 28, 2018

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, 2017. 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 \$78,469,454 (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 \$82,928,875, a decrease of \$4,459,421 (5%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$19,125,225, an increase of \$851,590 (5%) in comparison with the prior year.
- The General Fund's total fund balance decreased \$211,805 (2%) to \$9,799,751. The ending General fund balance is 16% of revenues, transfers in and the sale of property; and 16% of expenditures and transfers out.
- Total liabilities of the Town increased by \$22,309,859 (24%) to \$116,212,119 during the fiscal year. This net change resulted mainly from net increases in bond anticipation notes payable of \$3,662,130 for a wastewater treatment plant project, in bonds and leases payable of approximately \$11,948,616, in the OPEB obligation payable of \$3,326,426 and in net pension liability of \$3,785,710.
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$2,155,663. The key factors that attributed to the free cash amount for fiscal year 2017 were unexpended/unencumbered appropriations of \$675,600, excess over budget state and local receipt of \$412,175, the sale of property of \$200,000 and prior year free cash not appropriated of \$873,900.
- The Town's enterprise fund certified free cash is as follows:
 - Sewer fund \$ 2,219,204.

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		
	2017	2016	Change
Assets:			
Current assets	\$ 24,080,143	\$ 23,567,594	\$ 512,549
Capital assets	117,968,913	122,476,107	(4,507,194)
Total assets	142,049,056	146,043,701	(3,994,645)
Deferred Outflows of Resources:			
Deferred outflows related to pensions	3,885,392	1,766,038	2,119,354
Liabilities:			
Current liabilities (excluding debt and leases)	1,759,217	2,531,868	(772,651)
Current debt	2,647,576	2,584,684	62,892
Noncurrent liabilities (excluding debt and leases)	47,723,244	40,687,029	7,036,215
Noncurrent debt	32,253,330	34,900,906	(2,647,576)
Total liabilities	84,383,367	80,704,487	3,678,880
Deferred Inflows of Resources:			
Deferred inflows related to pensions	150,163	171,233	(21,070)
Net Position:			
Net investment in capital assets	83,080,502	85,007,177	(1,926,675)
Restricted	9,899,457	9,691,965	207,492
Unrestricted	(31,579,042)	(27,765,123)	(3,813,919)
Total net position	\$ 61,400,917	\$ 66,934,019	\$ (5,533,102)
Business-Type Activities			
	2017	2016	Change
Assets:			
Current assets	\$ 8,043,298	\$ 6,390,848	\$ 1,652,450
Noncurrent assets (excluding capital assets)	540,477	658,418	(117,941)
Capital assets	40,186,186	22,088,998	18,097,188
Total assets	48,769,961	29,138,264	19,631,697
Deferred Outflows of Resources:			
Deferred outflows related to pensions	132,447	60,202	72,245
Liabilities:			
Current liabilities (excluding debt)	2,392,629	2,132,845	259,784
Current debt	11,003,581	7,012,971	3,990,610
Noncurrent liabilities (excluding debt)	1,237,722	1,061,957	175,765
Noncurrent debt	17,194,820	2,990,000	14,204,820
Total liabilities	31,828,752	13,197,773	18,630,979
Deferred Inflows of Resources:			
Deferred inflows related to pensions	5,119	5,837	(718)
Net Position:			
Net investment in capital assets	11,987,785	12,086,027	(98,242)
Restricted	1,779,228	1,865,822	(86,594)
Unrestricted	3,301,524	2,043,007	1,258,517
Total net position	\$ 17,068,537	\$ 15,994,856	\$ 1,073,681

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2017	2016	Change
Program Revenues:			
Charges for services	\$ 3,342,129	\$ 3,236,450	\$ 105,679
Operating grants and contributions	21,205,752	18,852,032	2,353,720
Capital grants and contributions	200,389	499,710	(299,321)
General Revenues:			
Property taxes	38,783,802	36,934,263	1,849,539
Motor vehicle excise and other taxes	3,210,135	2,891,042	319,093
Penalties and interest on taxes	86,887	89,563	(2,676)
Nonrestricted grants	1,569,819	1,485,213	84,606
Unrestricted investment income	68,731	236,298	(167,567)
Gain on sale of capital asset	(150,000)	-	(150,000)
Miscellaneous	17,382	19,143	(1,761)
Total revenues	68,335,026	64,243,714	4,091,312
Expenses:			
General government	3,494,793	3,475,123	19,670
Public safety	4,044,852	3,763,561	281,291
Public works	3,721,385	3,556,579	164,806
Education	40,044,307	37,369,521	2,674,786
Health and human services	600,377	593,702	6,675
Culture and recreation	1,573,689	1,548,109	25,580
Employee benefits and insurance	18,400,925	15,481,961	2,918,964
State assessments	801,705	875,880	(74,175)
Interest	1,369,661	1,457,405	(87,744)
Total expenses	74,051,694	68,121,841	5,929,853
Contributions to permanent funds	20,700	21,075	(375)
Transfers	162,866	140,000	22,866
Change in net position	(5,533,102)	(3,717,052)	(1,816,050)
Net position - beginning of year	66,934,019	70,651,071	(3,717,052)
Net position - end of year	\$ 61,400,917	\$ 66,934,019	\$ (5,533,102)

	Business-Type Activities		
	2017	2016	Change
Program Revenues:			
Charges for services	\$ 2,925,309	\$ 2,507,842	\$ 417,467
Operating grants and contributions	30,000	-	30,000
General Revenues:			
Unrestricted investment income	93,378	163,745	(70,367)
Total revenues	3,048,687	2,671,587	377,100
Expenses:			
Sewer	1,812,140	1,591,333	220,807
Total expenses	1,812,140	1,591,333	220,807
Transfers	(162,866)	(140,000)	(22,866)
Change in net position	1,073,681	940,254	133,427
Net position - beginning of year	15,994,856	15,054,602	940,254
Net position - end of year	\$ 17,068,537	\$ 15,994,856	\$ 1,073,681

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 \$78,469,454 at the close of fiscal year 2017.

Net position of \$95,068,287 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, \$11,678,685 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$28,277,518).

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 \$5,533,102 (8%) during the current fiscal year. The key elements of the decrease in net position for fiscal year 2017 was attributed to increases as a result of the repayment of debt and lease principal of \$2,584,684 and in the change in deferred outflow/inflow of resources related to pensions of \$2,140,424 and to decreases in the depreciation expense (normally spread out over the useful life of the asset) for the year of \$5,434,931 and the sale of capital assets of \$350,000 exceeding the acquisition of \$1,277,737 in new capital assets; in recognizing this year's OPEB obligation of \$3,279,002 and net pension liability of \$3,660,915.

There was an increase of \$1,073,681 (7%) 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 \$19,125,225 an increase of \$851,590 (5%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance – \$740,544 (4%)
- Restricted fund balance – \$6,907,091 (36%)
- Committed fund balance – \$3,338,909 (18%)
- Assigned fund balance – \$1,170,627 (6%)
- Unassigned fund balance – \$6,968,054 (36%)

Major Governmental Funds

At the end of the fiscal year, the General Fund reported a total fund balance of \$9,799,751 decreasing \$211,805 (2%) from the prior year. Of the \$9,799,751, the unassigned amount is \$6,968,054 (71%), the assigned amount is \$1,170,627 (12%), the committed amount is \$956,585 (10%) and the restricted amount is \$704,485 (7%). General fund revenues were \$4,000,631 (7%) more than the prior fiscal year and expenditures also increased by \$3,660,216 (6%). Other activities in the General Fund are net transfers to the nonmajor governmental funds of \$1,572,245 and a transfer in from the sewer business-type activity of \$162,866.

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 \$1,667,589 (5%) and in intergovernmental – “on-behalf” payments of \$1,991,774 (41%).

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

- Increase in Education expenditures of \$1,169,879 (4%).
- Increase in Employee benefits and insurance of \$2,714,704 (25%).

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 \$17,068,537 used in the financing and operations of the Town's sewer system. The fund shows an increase of \$1,073,681 (7%) in total operations. This change is attributed to current operational revenues exceeding the current operational expenses by \$1,266,020, investment and other income of \$123,378, special assessments revenue of \$28,577, interest expense of \$181,428 and transfers to the general fund of \$162,866. Operating revenues increased by \$474,780 (24%), which is directly related to a rate increase, while operating expenses decreased by \$28,150 (2%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2017 was \$56,597,063. This was an increase of \$1,871,650 (3%) 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 town meetings for various budget operating line items.

General fund expenditures were less than budgeted by \$1,956,662. Of the \$1,956,662 in under budget expenditures, \$1,281,018 has been carried over to fiscal year 2018.

There is a negative variance in property taxes of \$20,141 and in interest on taxes of \$12,103 as expectations (budget) were higher than the receipts. Another negative variance exists in investment income of \$6,838 as a result of the current economy.

A negative variance exists in education expenditures of \$13 as the expenses exceeded the budget and in State assessments of \$9,237 as the Town had higher assessments due to a higher assessments in the registry of motor vehicles non-renewal surcharges of \$2,300 and in charter school sending tuitions of \$36,671 and in special education of \$1,736; and a lower assessment in the school choice sending tuitions of \$49,944.

The variance with the final budget was a positive \$1,067,678 consisting of a revenue surplus of \$392,034 and an appropriation surplus of \$675,644.

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, 2017 amounts to \$117,968,913 and \$40,186,186, 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:

- Municipal center selectman's meeting room improvements for \$112,690.
- Facility energy/envelope upgrades for \$4,620.
- Town House improvements for \$63,143.
- Police Station security system for \$16,490.
- Police vehicle purchases for \$72,984.
- Fire Station boiler replacement for \$29,350.
- Department of public works vehicle and equipment purchases for \$237,495.
- Road and sidewalk infrastructure improvements for \$628,442.
- School vehicle and equipment purchases for \$80,403.
- Silver Lake beach building addition for \$30,230.
- Upton Street Park improvements for \$1,890.

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

- Sewer vehicle purchase for \$203,578.
- Sewer Waste Water Treatment Plant improvements for \$18,336,275.

Debt. The Town's outstanding governmental debt as of June 30, 2017 totaled \$34,777,495 consisting of \$27,865,000 for the new high school, \$1,100,000 for the new fire station, \$150,000 for school modular classrooms, \$675,000 for land acquisition, \$3,960,000 for energy conservation projects, \$1,015,000 for the Town House restoration and \$12,495 for the Title V septic repair program.

The Town also has a capital lease for the financing of a fire department rescue truck. The lease is due in 2018. The Town currently owes \$126,373 on the lease consisting of \$123,411 in principal and \$2,962 in interest.

The business-type fund has \$17,603,300 in sewer debt.

The business-type activity currently has a \$10,595,101 in bond anticipation note outstanding.

Please refer to notes 3D, 3F, 3G and 3H 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, 2017 do not reflect the fiscal year 2018 Town Meeting action actions with the exception of the fund balance (free cash) and continuing appropriations amounts used to fund the budget. The Annual Town and Special Town Meetings on May 8, 2017 authorized a fiscal year 2018 operating and capital budget as follows:

From the tax levy		\$	54,792,662
From sewer receipts	\$	1,509,764	
From sewer betterments		37,888	
From sewer retained earnings		690,403	2,238,055
From Other Available Funds:			
General Fund:			
Unassigned fund balance:			
Free cash		846,194	
Continuing Appropriations		74,006	920,200
Non-major Governmental Funds:			
Community preservation fund			171,475
			<u>\$ 58,122,392</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, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 11,828,495	\$ 696,647	\$ 12,525,142
Investments	7,947,285	4,702,929	12,650,214
Receivables, net of allowance for uncollectibles:			
Property Taxes	408,650	-	408,650
Tax Liens	959,902	-	959,902
Excise Taxes	344,006	-	344,006
Departmental	23,478	-	23,478
User Charges	-	345,826	345,826
Special Assessments	-	109,854	109,854
Due from Other Governments	2,568,326	2,188,042	4,756,368
Total current assets	24,080,142	8,043,298	32,123,440
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	-	540,477	540,477
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	15,536,383	28,819,960	44,356,343
Depreciable	102,432,530	11,366,226	113,798,756
Total noncurrent assets	117,968,913	40,726,663	158,695,576
Total Assets	142,049,055	48,769,961	190,819,016
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	3,885,392	132,447	4,017,839
LIABILITIES			
CURRENT:			
Warrants and Accounts Payable	509,312	2,263,199	2,772,511
Accrued Payroll	210,571	7,545	218,116
Payroll Withholdings	383,792	-	383,792
Accrued Interest	369,702	96,935	466,637
Other	63,040	-	63,040
Compensated Absences	222,800	24,950	247,750
Bond Anticipation Notes Payable	-	10,595,101	10,595,101
Bonds and Leases Payable	2,647,576	408,480	3,056,056
Total current liabilities	4,406,793	13,396,210	17,803,003
NONCURRENT:			
Compensated Absences	621,520	48,905	670,425
OPEB Obligation Payable	22,989,472	366,866	23,356,338
Net Pension Liability	24,112,252	821,951	24,934,203
Bonds and Leases Payable	32,253,330	17,194,820	49,448,150
Total noncurrent liabilities	79,976,574	18,432,542	98,409,116
Total Liabilities	84,383,367	31,828,752	116,212,119
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	150,163	5,119	155,282
NET POSITION			
Net Investment in Capital Assets	83,080,502	11,987,785	95,068,287
Restricted for:			
Capital Projects	133,362	240,711	374,073
Federal & State Grants	3,177,430	-	3,177,430
Community Preservation	1,092,916	-	1,092,916
Permanent Funds:			
Nonexpendable	740,544	-	740,544
Expendable	511,691	-	511,691
Other Purposes	4,243,514	1,538,517	5,782,031
Unrestricted	(31,579,042)	3,301,524	(28,277,518)
Total Net Position	\$ 61,400,917	\$ 17,068,537	\$ 78,469,454

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, 2017**

	<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	\$ 3,494,793	\$ 512,840	\$ 436,281	\$ -	\$ (2,545,672)	\$ -	\$ (2,545,672)
Public Safety	4,044,852	850,075	311,608	-	(2,883,169)	-	(2,883,169)
Public Works	3,721,385	408,763	17,125	200,389	(3,095,108)	-	(3,095,108)
Education	40,044,307	1,028,506	13,430,526	-	(25,585,275)	-	(25,585,275)
Health and Human Services	600,377	179,664	111,340	-	(309,373)	-	(309,373)
Culture and Recreation	1,573,689	362,281	63,061	-	(1,148,347)	-	(1,148,347)
Employee Benefits and Insurance	18,400,925	-	6,834,983	-	(11,565,942)	-	(11,565,942)
State Assessments	801,705	-	-	-	(801,705)	-	(801,705)
Interest	1,369,661	-	828	-	(1,368,833)	-	(1,368,833)
Total Governmental Activities	74,051,694	3,342,129	21,205,752	200,389	(49,303,424)	-	(49,303,424)
Business-Type Activities:							
Sewer	1,812,140	2,925,309	30,000	-	-	1,143,169	1,143,169
Total Primary Government	\$ 75,863,834	\$ 6,267,438	\$ 21,235,752	\$ 200,389	(49,303,424)	1,143,169	(48,160,255)
General Revenues:							
Property Taxes					38,783,802	-	38,783,802
Motor vehicle excise and other taxes					3,210,135	-	3,210,135
Penalties & Interest on Taxes					86,887	-	86,887
Grants & Contributions not restricted to specific programs					1,569,819	-	1,569,819
Unrestricted Investment Income					68,731	93,378	162,109
Gain/(Loss) on Sale of Capital Assets					(150,000)	-	(150,000)
Miscellaneous					17,382	-	17,382
Contributions to Permanent Funds					20,700	-	20,700
Transfers, net					162,866	(162,866)	-
Total General Revenues, Contributions and Transfers					43,770,322	(69,488)	43,700,834
Change in Net Position					(5,533,102)	1,073,681	(4,459,421)
Net Position:							
Beginning of year					66,934,019	15,994,856	82,928,875
End of year					\$ 61,400,917	\$ 17,068,537	\$ 78,469,454

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

**TOWN OF GRAFTON, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 6,540,759	\$ 5,287,736	\$ 11,828,495
Investments	4,016,107	3,931,178	7,947,285
Receivables, net of allowance for uncollectibles:			
Property Taxes	405,190	3,460	408,650
Tax Liens	955,698	4,204	959,902
Excise Taxes	344,006	-	344,006
Departmental	1,450	22,028	23,478
Due from Other Governments	71,761	2,496,565	2,568,326
Total Assets	\$ 12,334,971	\$ 11,745,171	\$ 24,080,142
Liabilities:			
Warrants and Accounts Payable	\$ 362,425	\$ 146,887	\$ 509,312
Accrued Payroll	202,078	8,493	210,571
Payroll Withholdings	383,792	-	383,792
Other	63,040	-	63,040
Total Liabilities	1,011,335	155,380	1,166,715
Deferred Inflows of Resources:			
Unavailable Revenue	1,523,885	2,264,317	3,788,202
Fund Balance:			
Nonspendable	-	740,544	740,544
Restricted	704,485	6,202,606	6,907,091
Committed	956,585	2,382,324	3,338,909
Assigned	1,170,627	-	1,170,627
Unassigned	6,968,054	-	6,968,054
Total Fund Balance	9,799,751	9,325,474	19,125,225
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 12,334,971	\$ 11,745,171	\$ 24,080,142

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, 2017**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 38,261,998	\$ 397,396	\$ 38,659,394
Intergovernmental	12,726,812	2,753,644	15,480,456
Excise and Other Taxes	3,008,451	-	3,008,451
Charges for Services	-	2,038,090	2,038,090
Licenses, Permits, Fees	1,485,586	-	1,485,586
Interest on Taxes	86,397	490	86,887
Investment Income	68,731	23,914	92,645
Gifts and Donations	-	70,538	70,538
Other	-	342,749	342,749
Intergovernmental - "On-behalf" Payments	6,834,450	-	6,834,450
Total Revenues	62,472,425	5,626,821	68,099,246
Expenditures:			
Current:			
General Government	2,581,386	593,728	3,175,114
Public Safety	3,211,236	513,848	3,725,084
Public Works	3,054,009	735,334	3,789,343
Education	33,254,374	3,494,563	36,748,937
Health and Human Services	443,124	148,507	591,631
Culture and Recreation	943,004	380,167	1,323,171
Employee Benefits and Insurance	13,501,076	100,356	13,601,432
State Assessments	801,705	-	801,705
Debt Service:			
Principal	2,355,000	109,165	2,464,165
Interest	1,329,937	60,003	1,389,940
Total Expenditures	61,474,851	6,135,671	67,610,522
Excess of Revenues Over (Under) Expenditures	997,574	(508,850)	488,724
Other Financing Sources (Uses):			
Operating Transfers In	184,860	1,594,239	1,779,099
Operating Transfers Out	(1,594,239)	(21,994)	(1,616,233)
Sale of Property	200,000	-	200,000
Total Other Financing Sources (Uses)	(1,209,379)	1,572,245	362,866
Net Change in Fund Balances	(211,805)	1,063,395	851,590
Fund Balances, Beginning of Year	10,011,556	8,262,079	18,273,635
Fund Balances, End of Year	\$ 9,799,751	\$ 9,325,474	\$ 19,125,225

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, 2017

Total Governmental Fund Balances		\$	19,125,225
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.			117,968,913
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			3,788,202
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions			3,735,229
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:			
Bonds and Leases Payable	\$	(34,900,906)	
Other Post Employment Benefits Payable		(22,989,472)	
Net Pension Liability		(24,112,252)	
Compensated Absences		(844,320)	(82,846,950)
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>(369,702)</u>
Net Position of Governmental Activities		\$	<u><u>61,400,917</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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 851,590

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	\$ 1,277,737	
Sale of Capital Assets	(350,000)	
Depreciation	<u>(5,434,931)</u>	(4,507,194)

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. 406,480

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 2,584,684

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	(89,448)	
Net Change in Other Post Employment Benefits	(3,279,002)	
Net Change in Net Pension Liability	(3,660,915)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	2,140,424	
Net Change in Accrued Interest on Long-Term Debt	<u>20,279</u>	<u>(4,868,662)</u>

Change in Net Position of Governmental Activities **\$ (5,533,102)**

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, 2017**

	Budgeted Amounts				Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried		Actual			
	Forward from Prior Year	Original Budget	Final Budget	Budgetary Basis		
Revenues:						
Property Taxes	\$ -	\$ 38,033,104	\$ 38,110,739	\$ 38,090,598	\$ -	\$ (20,141)
Intergovernmental	-	12,579,209	12,579,209	12,726,812	-	147,603
Excise and Other Taxes	-	2,827,800	2,827,800	3,008,451	-	180,651
Licenses, Permits, Fees	-	1,382,724	1,382,724	1,485,586	-	102,862
Interest on Taxes	-	98,500	98,500	86,397	-	(12,103)
Investment Income	-	45,000	45,000	38,162	-	(6,838)
Total Revenues	-	54,966,337	55,043,972	55,436,006	-	392,034
Expenditures:						
Current:						
General Government	307,404	2,746,180	3,005,151	2,581,386	234,759	189,006
Public Safety	88,210	3,372,475	3,411,105	3,211,236	103,635	96,234
Public Works	487,901	3,068,125	3,745,048	3,054,009	460,273	230,766
Education	191,452	33,178,287	33,369,739	33,254,374	115,378	(13)
Health and Human Services	6,980	522,235	511,338	443,124	29,581	38,633
Culture and Recreation	308,635	957,244	1,337,879	943,004	327,092	67,783
Employee Benefits and Insurance	-	6,287,217	6,739,397	6,666,626	10,300	62,471
State Assessments	-	792,468	792,468	801,705	-	(9,237)
Debt Service:						
Principal	-	2,355,000	2,355,000	2,355,000	-	-
Interest	-	1,329,938	1,329,938	1,329,937	-	1
Total Expenditures	1,390,582	54,609,169	56,597,063	54,640,401	1,281,018	675,644
Excess of Revenues Over (Under) Expenditures	(1,390,582)	357,168	(1,553,091)	795,605	(1,281,018)	1,067,678
Other Financing Sources (Uses):						
Operating Transfers In	-	160,000	260,000	284,860	-	24,860
Operating Transfers (Out)	-	(1,545,000)	(1,591,600)	(1,594,199)	-	(2,599)
Sale of Property	-	-	-	200,000	-	200,000
Total Other Financing Sources (Uses)	-	(1,385,000)	(1,331,600)	(1,109,339)	-	222,261
Net Change in Budgetary Fund Balance	(1,390,582)	(1,027,832)	(2,884,691)	(313,734)		<u>\$ 1,289,939</u>
Other Budgetary Items:						
Free Cash and Other Reserves	-	1,113,911	1,580,188			
Prior Year Deficits	-	(86,079)	(86,079)			
Prior Year Encumbrances	1,390,582	-	1,390,582			
Total Other Budgetary Items	1,390,582	1,027,832	2,884,691			
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, 2017

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 55,436,006	\$ 54,640,401
<i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	30,569	-
Net Increase in Revenue from recording Refund Taxes Payable	85,400	-
Recognition of Intergovernmental Revenue - "on behalf payments"	6,834,450	-
Recognition of Expenditures - "on behalf payments"	-	6,834,450
Net Increase in Revenue from Recording 60-Day Receipts	86,000	-
Reported on a GAAP Basis	\$ 62,472,425	\$ 61,474,851

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, 2017**

	Business-Type Activities Enterprise Fund
	Sewer Fund
ASSETS	
CURRENT:	
Cash and Cash Equivalents	\$ 696,647
Investments	4,702,929
User Charges, net of allowance for uncollectibles	345,826
Special Assessments	109,854
Due from Other Governments	2,188,042
Total current assets	8,043,298
NONCURRENT:	
Special Assessments	540,477
Capital Assets, net of accumulated depreciation	
Nondepreciable	28,819,960
Depreciable	11,366,226
Total noncurrent assets	40,726,663
Total Assets	48,769,961
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	132,447
LIABILITIES	
CURRENT:	
Accounts Payable	2,263,199
Accrued Payroll	7,545
Accrued Interest	96,935
Compensated Absences	24,950
Notes Payable	10,595,101
Bonds Payable	408,480
Total current liabilities	13,396,210
NONCURRENT:	
Compensated Absences	48,905
OPEB Obligation Payable	366,866
Net Pension Liability	821,951
Bonds Payable	17,194,820
Total noncurrent liabilities	18,432,542
Total Liabilities	31,828,752
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	5,119
NET POSITION	
Net Investment in Capital Assets	11,987,785
Restricted for Betterments	1,538,517
Restricted for Capital	240,711
Unrestricted	3,301,524
Total Net Position	\$ 17,068,537

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, 2017**

	Business-Type Activities Enterprise Fund
	Sewer Fund
Operating Revenues:	
Charges for Services	\$ 2,881,249
Other	15,483
Total Operating Revenues	2,896,732
Operating Expenses:	
Salaries & Wages	428,736
Operating Expenses	759,311
Depreciation	442,665
Total Operating Expenses	1,630,712
Operating Income (Loss)	1,266,020
Non-Operating Revenues (Expenses):	
Investment Income	93,378
Other	30,000
Assessments	28,577
Interest Expense	(181,428)
Total Non-Operating Revenues (Expenses)	(29,473)
Income (Loss) Before Operating Transfers	1,236,547
Operating Transfers:	
Transfers In/(Out)	(162,866)
Total Operating Transfers	(162,866)
Change in Net Position	1,073,681
Net Position at Beginning of Year	15,994,856
Net Position at End of Year	\$ 17,068,537

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, 2017**

	Business-Type Activities Enterprise Fund
	Sewer Fund
Cash Flows From Operating Activities:	
Receipts from Customers and Users	\$ 2,806,722
Receipts from Other Revenues	15,483
Payments to Vendors	(615,834)
Payments to Employees	(421,586)
Net Cash Provided by (Used for) Operating Activities	1,784,785
Cash Flows from Noncapital Financing Activities:	
Transfers from (to) Other Funds	(162,866)
Net Cash Provided by (Used for) Noncapital Financing Activities	(162,866)
Cash Flows from Capital and Related Financing Activities:	
Assessments	133,085
Other	30,000
MCWT Project Drawdowns	18,145,581
Acquisition and Construction of Capital Assets	(18,410,004)
Principal Payments on Bonds	(80,000)
Interest Expense	(99,319)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(280,657)
Cash Flows from Investing Activities:	
Investment Income	93,378
Proceeds/(Purchase) of Investments	(1,660,386)
Net Cash Provided by (Used for) Investing Activities	(1,567,008)
Net Increase (Decrease) in Cash and Cash Equivalents	(225,746)
Cash and Cash Equivalents at Beginning of Year	922,393
Cash and Cash Equivalents at End of Year	\$ 696,647

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

Operating Income (Loss)	\$ 1,266,020
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	442,665
Deferred (Outflows)/Inflows of Resources Related to Pensions	(72,963)
Change in Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	44,221
Increase (Decrease) in Accrued Payroll	1,628
Increase (Decrease) in Compensated Absences	5,522
Increase (Decrease) in OPEB Obligation Payable	47,424
Increase (Decrease) in Net Pension Liability	124,795
Decrease (Increase) in User Charges Receivable	(74,527)
Total Adjustments	518,765
Net Cash Provided by (Used for) Operating Activities	\$ 1,784,785

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, 2017**

	Other		
	Post Employment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 1,067	\$ 343,101
Investments	107,348	363,111	3,428
Total Assets	107,348	364,178	346,529
LIABILITIES			
Warrants Payable	-	-	7,385
Due to Others	-	-	6,310
Due to Student Groups	-	-	118,459
Escrows and Deposits	-	-	214,375
Total Liabilities	-	-	346,529
NET POSITION			
Held in Trust for Other Purposes	\$ 107,348	\$ 364,178	\$ -

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, 2017**

	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 1,316,568	\$ -
Private Donations	-	6,160
Investment Income	4,398	3,656
Total Additions	1,320,966	9,816
Deductions		
Educational Scholarships	-	9,686
Insurance and Employee Benefits	1,216,568	-
Total Deductions	1,216,568	9,686
Change in Net Position	104,398	130
Net Position at Beginning of Year	2,950	364,048
Net Position at End of Year	\$ 107,348	\$ 364,178

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, 2017

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 2017, 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, 2017

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, 2017

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, 2017

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, 2017

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, 2016 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 2017 on June 30, 2016 and September 30, 2016 that were due on August 1, 2016 and November 1, 2016 and the actual tax bills were mailed on December 30, 2016 and March 31, 2017 and were due on February 1, 2017 and May 1, 2017.

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 2017 is as follows:

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2017	\$ 34,426,844
Add: Debt Exclusion	3,190,258
Add: Road Stabilization override	1,500,000
Maximum Levy Limit	\$ 39,117,102

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The total amount raised by taxation was \$38,365,791.

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, 2017

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:

Capital Asset Type	Years
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 only item in this category is *deferred outflows related to pensions*.

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, 2017

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, 2017

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, 2017

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 50% to 73% 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, 2017

For fiscal year 2017, the Town incurred a final budget deficit of \$2,884,691 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	\$ 1,580,188
Reserve for deficits	(86,079)
Prior year's encumbrances	1,390,582
	<u>\$ 2,884,691</u>

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, 2017 were \$15,365,022. Of these, \$4,645,035 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, 2017

As of June 30, 2017, the Town had the following investments:

Investment Type	Fair Value	(in Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. treasury obligations	\$ 1,271,624	\$ -	\$ 1,271,624
U. S. government agencies	3,453,018	-	3,453,018
Corporate bonds	1,582,472	155,017	1,427,455
Money market mutual fund	115,985	115,985	-
	<u>6,423,099</u>	<u>\$ 271,002</u>	<u>\$ 6,152,097</u>
Other Investments:			
Certificates of deposits	3,040,221		
Equity mutual funds	623,835		
Equity securities - domestic	2,566,419		
MMDT	470,527		
	<u>\$ 13,124,101</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 \$13,124,101 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.

Credit Risk

The Town's exposure to credit risk as of June 30, 2017 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
U. S. Treasury Obligations:	
Aaa	\$ 1,271,624
U. S. Government Agencies:	
Aaa	3,453,018
Corporate Bonds:	
A2	160,411
A3	309,048
Baa1	1,113,013
Money Market Mutual Funds:	
Not rated	115,985
	<u>\$ 6,423,099</u>

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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 20.46% 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.

The Town has the following recurring fair value measurements as of June 30, 2017:

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	\$ 1,271,624	\$ 1,271,624	\$ -	\$ -
U. S. government agencies	3,453,018	3,453,018	-	-
Certificates of deposit	3,040,221	3,040,221	-	-
Equity mutual funds	623,835	623,835	-	-
Equity securities - domestic	2,566,419	2,566,419	-	-
Money market mutual fund	115,985	115,985	-	-
Corporate bonds	1,582,472	-	1,582,472	-
	<u>12,653,574</u>	<u>\$ 11,071,102</u>	<u>\$ 1,582,472</u>	<u>\$ -</u>
Investments Measured at Amortized Cost:				
External Investment Pools (MMDT)	<u>470,527</u>			
Total Investments	<u>\$ 13,124,101</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.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

B. Receivables

At June 30, 2017, 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	\$ 424,858	\$ (16,208)	\$ 408,650
Tax liens	959,902	-	959,902
Excise taxes	364,439	(20,433)	344,006
Departmental	23,478	-	23,478
Due from other governments	2,568,326	-	2,568,326
	<u>\$ 4,341,003</u>	<u>\$ (36,641)</u>	<u>\$ 4,304,362</u>

At June 30, 2017, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer activities:			
User charges	\$ 300,058	\$ (14,873)	\$ 285,185
Tax liens	60,641	-	60,641
Special assessments	650,331	-	650,331
Due from other governments	2,188,042	-	2,188,042
	<u>\$ 3,199,072</u>	<u>\$ (14,873)</u>	<u>\$ 3,184,199</u>

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The composition of amounts due from other governments as of June 30, 2017 for governmental funds and the business-type activities are as follows:

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

Department of Revenue:

Veterans, blind and surviving spouse \$ 29,763

Department of Veterans Services:

Veterans benefits 41,998 \$ 71,761

Nonmajor Governmental Funds:

U. S. Department of Agriculture:

School lunch 11,395

U. S. Department of Education:

School title grants 135,515

U. S. Department of Homeland Security

Emergency management agency grants 3,945

Commonwealth of Massachusetts:

Department of Elementary and Secondary Education:

School lunch 536

Executive Office of Public Safety & Homeland Security:

Public safety grants 9,239

Massachusetts School Building Authority

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funds 2,333,706

Other:

2,229 2,496,565

\$ 2,568,326

Business-Type Funds:

Sewer Fund:

Commonwealth of Massachusetts:

Massachusetts Clean Water Trust:

Sewer project \$ 2,188,042

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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	\$	195,190	
Tax liens		955,698	
Excise taxes		344,006	
Departmental		1,450	
Due from other governments		27,541	\$ 1,523,885
Nonmajor governmental funds:			
Property taxes		3,460	
Tax liens		4,204	
Due from other governments		2,256,653	2,264,317
			\$ 3,788,202

D. Capital Assets

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,872,428	\$ -	\$ (350,000)	\$ 15,522,428
Construction in Progress	10,112,762	86,488	(10,185,295)	13,955
Total capital assets not being depreciated	25,985,190	86,488	(10,535,295)	15,536,383
Capital assets being depreciated:				
Buildings and Renovations	119,640,265	10,324,230	-	129,964,495
Machinery, equipment and other	7,565,262	390,882	(365,297)	7,590,847
Infrastructure	10,547,347	661,432	-	11,208,779
Total capital assets being depreciated	137,752,874	11,376,544	(365,297)	148,764,121
Less accumulated depreciation for:				
Buildings and Renovations	32,036,255	4,435,390	-	36,471,645
Machinery, equipment and other	5,878,766	459,142	(365,297)	5,972,611
Infrastructure	3,346,936	540,399	-	3,887,335
Total accumulated depreciation	41,261,957	5,434,931	(365,297)	46,331,591
Total capital assets being depreciated, net	96,490,917	5,941,613	-	102,432,530
Total governmental activities capital assets, net	\$ 122,476,107	\$ 6,028,101	\$ (10,535,295)	\$ 117,968,913

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in Progress	\$ 10,483,685	\$ 18,336,275	\$ -	\$ 28,819,960
Total capital assets not being depreciated	10,483,685	18,336,275	-	28,819,960
Capital assets being depreciated:				
Machinery, equipment and other	234,873	203,578	(7,094)	431,357
Infrastructure	32,021,084	-	-	32,021,084
Total capital assets being depreciated	32,255,957	203,578	(7,094)	32,452,441
Less accumulated depreciation for:				
Machinery, equipment and other	211,129	33,205	(7,094)	237,240
Infrastructure	20,439,515	409,460	-	20,848,975
Total accumulated depreciation	20,650,644	442,665	(7,094)	21,086,215
Total capital assets being depreciated, net	11,605,313	(239,087)	-	11,366,226
Total governmental activities capital assets, net	\$ 22,088,998	\$ 18,097,188	\$ -	\$ 40,186,186

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

Governmental Activities:	
General government	\$ 515,249
Public safety	551,107
Public works	788,238
Education	3,291,086
Health and human services	12,364
Culture and recreation	276,887
Total depreciation expense - governmental activities	<u>\$ 5,434,931</u>
Business-Type Activities:	
Sewer fund	<u>\$ 442,665</u>

E. Interfund Receivables, Payables and Transfers

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

Transfers In:	Transfers Out:			
	General fund	Nonmajor Governmental fund	Business-type fund	Total
General fund	\$ -	\$ 21,994	\$ 162,866	\$ 184,860
Nonmajor governmental funds	1,594,239	-	-	1,594,239
Total transfers out	<u>\$ 1,594,239</u>	<u>\$ 21,994</u>	<u>\$ 162,866</u>	<u>\$ 1,779,099</u>

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

F. Leases

The Town has entered into a lease agreement as lessee for financing a rescue truck for the fire department. The lease agreements qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

	Governmental Activities
Asset:	
Machinery, Equipment and Other	\$ 592,224
Less: Accumulated Depreciation	(454,038)
Total	\$ 138,186

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2017, are as follows:

	Governmental Activities
Year Ending June 30,	
2018	\$ 126,373
Less: amount representing interest	(2,962)
Present value of minimum lease payments	\$ 123,411

G. 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 business type fund are as follows:

Business-type Activities	Interest	Final	Balance	Renewed/	Retired/	Outstanding
Purpose	Rate	Maturity	July 1, 2016	Issued	Redeemed	June 30, 2017
Bond anticipation notes:						
Sewer Fund						
<i>Massachusetts Clean</i>						
<i>Water Trust - Interim Loan</i>						
CWP - 15 - 14	0.13%	4/13/2017	\$ 6,932,971	\$ 7,680,329	\$ 14,613,300	\$ -
CWP - 15 - 14A	0.13%	12/31/2017	-	10,595,101	-	10,595,101
Total Business-type activities			\$ 6,932,971	\$ 18,275,430	\$ 14,613,300	\$ 10,595,101

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

H. 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.

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, 2017
Governmental Activities:					
Inside Debt Limit:					
New Fire Station	4.25%	10/15/2008	6/15/2019	5,500,000	\$ 1,100,000
Land Acquisition - CPA	3.73%	5/15/2009	2/15/2029	1,155,000	675,000
School - Modular Classrooms	2.86%	5/15/2009	2/15/2019	750,000	150,000
New High School	3.47%	5/1/2010	2/1/2030	9,100,000	6,475,000
New High School	4.24%	4/1/2011	4/1/2031	10,000,000	7,825,000
New High School	3.03%	4/12/2012	4/1/2032	16,650,000	13,565,000
Energy Conservation	2.0-3.0%	11/13/2013	2/15/2028	4,767,000	3,960,000
Town House Restoration	2.58%	4/15/2015	11/15/2034	1,100,000	1,015,000
Total inside debt					<u>34,765,000</u>
Outside Debt Limit:					
Massachusetts Clean Water Trust:					
Title V septic repair program	N/A	9/29/2000	8/1/2019	79,932	12,495
Total governmental type debt					<u>\$ 34,777,495</u>

Future Debt Service

The annual principal and interest payments to retire all governmental type long term debt outstanding as of June 30, 2017, are as follows:

Year	Principal	Interest	Total
2018	\$ 2,524,165	\$ 1,301,451	\$ 3,825,616
2019	2,584,165	1,210,211	3,794,376
2020	2,029,165	1,103,527	3,132,692
2021	2,095,000	1,026,887	3,121,887
2022	2,180,000	949,587	3,129,587
2023-2027	12,155,000	3,440,188	15,595,188
2028-2032	11,000,000	1,157,219	12,157,219
2033-2035	210,000	9,450	219,450
	<u>\$ 34,777,495</u>	<u>\$ 10,198,520</u>	<u>\$ 44,976,015</u>

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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, 2017
Business-type Activities:					
Inside Debt Limit:					
Sewer Fund:					
Sewer	4.24%	4/1/2011	4/1/2031	\$ 510,000	\$ 400,000
Sewer Treatment Facility	3.03%	4/15/2015	11/15/2044	2,700,000	2,590,000
Massachusetts Clean Water Trust:					
Sewer Treatment Facility	2.40%	4/13/2017	1/15/2047	14,613,300	14,613,300
Total business-type debt					<u>\$ 17,603,300</u>

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2017, are as follows:

Year	Principal	Interest	Total
2018	\$ 408,480	\$ 362,307	\$ 770,787
2019	416,965	438,155	855,120
2020	435,669	427,817	863,486
2021	444,597	416,971	861,568
2022	453,756	405,911	859,667
2023-2027	2,474,663	1,839,654	4,314,317
2028-2032	2,801,843	1,493,909	4,295,752
2033-2037	3,030,355	1,126,285	4,156,640
2038-2042	3,465,146	720,386	4,185,532
2043-2047	3,671,826	259,994	3,931,820
	<u>\$ 17,603,300</u>	<u>\$ 7,491,389</u>	<u>\$ 25,094,689</u>

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due within One Year
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$ 37,225,000	\$ -	\$ 2,460,000	\$ 34,765,000	\$ 2,520,000
Massachusetts Clean Water Trust bonds	16,660	-	4,165	12,495	4,165
Capital leases	243,930	-	120,519	123,411	123,411
Compensated absences	754,872	123,054	33,606	844,320	222,800
OPEB liability obligation	19,710,470	3,279,002	-	22,989,472	-
Net pension liability	20,451,337	3,660,918	-	24,112,255	-
Governmental activity Long-term liabilities	<u>\$ 78,402,269</u>	<u>\$ 7,062,974</u>	<u>\$ 2,618,290</u>	<u>\$ 82,846,953</u>	<u>\$ 2,870,376</u>
Business-type activities:					
Bonds Payable:					
General obligation bonds	\$ 3,070,000	\$ -	\$ 80,000	\$ 2,990,000	\$ 80,000
Massachusetts Clean Water Trust bonds	-	14,613,300	-	14,613,300	328,480
Compensated absences	68,333	5,523	-	73,856	24,950
OPEB obligation payable	319,442	47,424	-	366,866	-
Net pension liability	697,156	124,795	-	821,951	-
Total sewer activities Long-term liabilities	<u>\$ 4,154,931</u>	<u>\$ 14,791,042</u>	<u>\$ 80,000</u>	<u>\$ 18,865,973</u>	<u>\$ 433,430</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, 2017 for principal and interest combined for the loans is \$20,640,851 with subsidies amounting to \$1,052. The net repayments, including interest, are scheduled to be \$20,639,799. 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 2017 principal and interest subsidies totaled \$828.

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, 2017 totaled \$52,368,300.

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."

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The following is a computation of the legal debt limit as of June 30, 2017:

Equalized Valuation-Real Estate and Personal Property (2016)		\$	<u>2,333,827,700</u>
Debt Limit: 5 % of Equalized value			116,691,385
Total Debt Outstanding	\$	52,380,795	
Less: Debt Outside Debt Limit		<u>(12,495)</u>	<u>52,368,300</u>
Inside Debt Excess Borrowing Capacity at June 30, 2017		\$	<u><u>64,323,085</u></u>

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.

Loan authorizations that have not been issued as of June 30, 2017 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	\$ 21,091,598
5/8/2017	Library construction/renovation	16,597,997
5/8/2017	Construction of a new highway facility	12,700,000
5/8/2017	Sewer pump station upgrades	3,000,000
		<u>\$ 53,389,595</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.

	<u>Current Year's Long Term Debt</u>	<u>Town's Estimated Share</u>	<u>Town's Estimated Indirect Debt</u>
Blackstone Valley Regional Vocational Technical High School	<u>\$ 3,085,000</u>	10.80%	<u>\$ 333,180</u>

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

I. Fund Balances

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2017:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Permanent funds	\$ -	\$ 740,544	\$ 740,544
Restricted:			
Federal, state and local grants	-	220,885	220,885
School federal and state grants	-	699,892	699,892
School revolving funds	-	410,066	410,066
Town revolving funds	-	1,310,636	1,310,636
Donations and gifts	-	243,177	243,177
Community preservation fund	-	1,085,252	1,085,252
Debt service	704,485	-	704,485
Capital projects	-	133,362	133,362
Permanent funds	-	511,691	511,691
Other	-	1,587,645	1,587,645
	<u>704,485</u>	<u>6,202,606</u>	<u>6,907,091</u>
Committed:			
Capital projects	-	2,382,324	2,382,324
Town meeting articles	956,585	-	956,585
	<u>956,585</u>	<u>2,382,324</u>	<u>3,338,909</u>
Assigned:			
Encumbrances	324,433	-	324,433
Subsequent year's budget	846,194	-	846,194
	<u>1,170,627</u>	<u>-</u>	<u>1,170,627</u>
Unassigned:			
General Fund	6,968,054	-	6,968,054
Total Governmental fund balances	<u>\$ 9,799,751</u>	<u>\$ 9,325,474</u>	<u>\$ 19,125,225</u>

J. Special Trust Funds

Stabilization Fund

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

At June 30, 2017 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 3,423,317
Capital stabilization fund	120,608
Road stabilization fund	<u>1</u>
	<u>\$ 3,543,926</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, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

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.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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, 2017, 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 2016 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.

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, 2016. The Town's portion of the collective pension expense contributed by the Commonwealth of \$6,834,450 on-behalf payments for the fiscal year ending June 30, 2017 is reported as intergovernmental revenues and insurance and employee benefits expenditures in the General Fund as of the measurement date.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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.

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, 2016 was \$1,446,017, representing 14.52% 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, 2017, the Town reported a liability of \$24,934,203 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. 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, 2016, the Town's proportional percentage was 2.9769%, which was a slight decrease from the last measurement.

Pension Expense

For the year ended June 30, 2017, the Town recognized a pension expense of \$3,018,337 and reported deferred outflows of resources related to pensions of \$4,017,839 from the differences between expected and actual experience, the net difference between projected and actual investment earnings on pension plan investments and changes in assumptions; and deferred inflows of resources related to pensions of \$155,282 from the changes in proportion and differences between employer contributions and proportionate share of contributions.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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

For years ended June 30,	
2018	\$ 921,644
2019	921,644
2020	918,982
2021	655,254
Thereafter:	445,033
	<u>\$ 3,862,557</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, 2016:

Valuation date	January 1, 2016
Actuarial cost method	Entry Age Normal
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</i> to zero 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% per year
Salary increases	Group 1: 6% - 4.25%, based on service Group 4: 7% - 4.75%, based on service
Payroll growth	4% 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

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40%	4.97%
Fixed income	22%	2.29%
Private Equity	11%	6.50%
Real Estate	10%	3.50%
Timber/Natural Resources	4%	3.00%
Hedge Funds	13%	3.48%
Total	100%	

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 7.06%. 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:

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town's net pension liability	\$ 30,033,544	\$ 24,934,203	\$ 20,629,518

F. Other Post Employment Benefits Payable

GASB Statement No. 45

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, requires Towns to account for OPEB, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns the post employment benefits, rather than when they use them. To the extent that an entity does not fund their actuarially required contribution, a post employment benefit liability is recognized on the Statement of Net Position.

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 adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009, and thus 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 as described on the following footnote, the Town provided 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. As of the actuarial valuation date, there are approximately 836 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2017 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$1,316,568.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

	Governmental Activities	Business-type Activities	Total
Normal Cost	\$ 2,536,211	\$ 26,285	\$ 2,562,496
Amortization of unfunded actuarial accrued liability	2,340,660	34,711	2,375,371
Annual required contribution	4,876,871	60,996	4,937,867
Interest on net OPEB obligation	788,419	12,778	801,197
Adjustment to annual required contribution	(1,080,030)	(16,040)	(1,096,070)
Annual OPEB cost (expense)	4,585,260	57,734	4,642,994
Contributions made during the fiscal year	(1,306,257)	(10,311)	(1,316,568)
Increase in net OPEB obligation	3,279,003	47,423	3,326,426
Net OPEB Obligation - beginning of year	19,710,470	319,442	20,029,912
Net OPEB Obligation - end of year	<u>\$ 22,989,473</u>	<u>\$ 366,865</u>	<u>\$ 23,356,338</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 4,642,994	28.4%	\$ 23,356,338
6/30/2016	\$ 4,418,498	28.3%	\$ 20,029,912
6/30/2015	\$ 4,158,239	27.4%	\$ 16,861,991

Funded Status and Funding Process

As of January 1, 2017, the most recent valuation date, the plan was 0.01% funded. The actuarial liability for benefits was \$47,308,470, and the actuarial value of assets was \$3,080, resulting in an unfunded actuarial accrued liability (UAAL) of \$47,305,390. The covered payroll (annual payroll of active employees covered by the plan) was \$32,419,000, and the ratio of the UAAL to the covered payroll was 145.9%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial accrued liabilities for benefits.

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Actuarial Methods and Assumptions

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

The Town OPEB actuarial valuation as of January 1, 2017, used the projected unit credit cost method. The OPEB liability is currently 0.01% funded and the actuarial assumptions include a 4.00% rate of return on invested assets. Medical and drug cost trend for Commercial Managed Care, Commercial Indemnity, Medicare Managed Care, and Medicare Indemnity in 2017 was 6.45%, 3.43%, 6.86% and 0.47%, respectively, and 8%, 9%, 7% and 8% in 2018, respectively, decreasing to an ultimate level of 5% per year for Commercial Managed Care, Commercial Indemnity, Medicare Managed Care, and Medicare Indemnity.

The funded actuarial accrued liability is being amortized over closed 22 years (remainder of the initial 30 years) on a level percentage of payroll basis. The remaining amortization period at June 30, 2017 is 22 years.

GASB Statement No. 74

The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2017, the trust balance is \$107,348.

Investments

The OPEB Trust fund does not have a formal investment policy. As of June 30, 2017, investments, concentration and rate of return information consisted of pooled funds in the Town's Bartholomew Commonwealth Financial investments described earlier under Investment Policies (refer to note 3A).

Net OPEB Liability

The components of the net OPEB liability are as follows (amounts are in thousands):

	June 30, 2017
Total OPEB liability	\$ 56,646
Less: Plan fiduciary net position	(105)
City's Net OPEB liability	\$ 56,541
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.19%

Actuarial 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, unless otherwise specified;

Valuation date	January 1, 2017
Actuarial cost method	Entry Age Normal Cost Method

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Participant salary increases	3.75% annually
Investment rate of return	3.59% annually, net of OPEB plan investment expenses
Healthcare cost trend rates	to an Ultimate trend rate of 5.00% annually in 2035
Mortality rates	RP-2000 Mortality Table with projected generational mortality table using Scale BB

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 is 2.45%.

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.

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

The following presents the Town's the 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 (amounts are in thousands):

	1% Decrease (2.59%)	Current Discount Rate (3.59%)	1% Increase (4.59%)
Town's net OPEB liability	\$ 67,859	\$ 56,541	\$ 47,764

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

The following presents the Town's the 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 (amounts are in thousands):

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Town's net OPEB liability	\$ 46,412	\$ 56,541	\$ 70,129

TOWN OF GRAFTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

G. Implementation Of New GASB Pronouncements

The GASB issued Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2017.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*, for implementation in fiscal year 2017.

The GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, for implementation in fiscal year 2017.

The GASB issued Statement No. 82, *Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73*, for implementation in fiscal year 2017.

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. 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. 87, *Leases*, for implementation in fiscal year 2021.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF GRAFTON, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2017**

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

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>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarially determined contribution	\$ 1,446,017	\$ 1,340,346	\$ 1,191,597
Less: Contributions in relation to the actuarially determined contribution	<u>(1,446,017)</u>	<u>(1,340,346)</u>	<u>(1,191,597)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 9,958,855	\$ 8,975,245	\$ 8,630,043
Contributions percentage of covered-employee payroll	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
Schedule of Funding Progress and Employer Contributions
Other Post-Employment Benefit Plan (GASB 45) Schedule
Year Ended June 30, 2017

Schedule of Funding Progress

Other Post-Employment Benefits								
(Dollars in Thousands)								
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)		
1/1/2017	\$	3	\$ 47,308	\$ 47,305	0%	\$ 32,419	145.9%	
1/1/2015	\$	3	\$ 44,712	\$ 44,709	0%	\$ 27,931	160.1%	
1/1/2013	\$	-	\$ 30,633	\$ 30,633	0%	\$ 24,618	124.4%	

Schedule of Contribution Funding

Other Post-Employment Benefits				
Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions Made	Percentage Contributed	
2017	\$ 4,642,994	\$ 1,316,568	28.4%	
2016	\$ 4,418,498	\$ 1,250,577	28.3%	
2015	\$ 4,158,239	\$ 1,137,589	27.4%	

The information presented in the above Required Supplementary Schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the Notes to Basic Financial Statements.

Actuarial Methods:

Valuation date	January 1, 2017
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Closed 22-year amortization payments (remainder of initial 30-year amortization). Uses level percentage of payroll (using a 3.00% annual rate of increase).
Remaining amortization period	22 years remaining as of June 30, 2017

Actuarial Assumptions:

Investment rate of return	4.0% per year on invested assets
Medical/drug cost trend rate	Ranging from .47% to 6.86% in 2017 trending down to an ultimate rate of 5.0% per year for all coverages.

Plan Membership:

Current active members	587
Current retirees, beneficiaries and dependents	316
Total	903

TOWN OF GRAFTON, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan (GASB 74) Schedule
For the Year Ended June 30, 2017

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

	6/30/2017
Total OPEB liability	
Service cost	\$ 2,832
Interest on net OPEB liability	1,984
Benefit payments, including refunds of member contributions	(1,216)
Net change in total OPEB liability	3,600
Total OPEB liability-beginning	53,046
Total OPEB liability-ending (a)	\$ 56,646
 Plan fiduciary net position	
Net investment income	\$ 2
Employer contributions to Trust	1,317
Benefit payments	(1,217)
Net change in plan fiduciary net position	102
Total fiduciary net position-beginning	3
Total fiduciary net position-ending (b)	\$ 105
 Town's net OPEB liability (a-b)	\$ 56,541

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, 2017

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

	6/30/2017
Total OPEB liability	\$ 56,646
Less: Plan fiduciary net position	(104)
Town's Net OPEB liability	\$ 56,542
 Plan fiduciary net position as a percentage of the total OPEB liability	0.18%

Schedule of Contributions (amounts are in thousands):

	6/30/2017
Actuarially determined contribution	\$ 4,938
Less: Contributions in relation to the actuarially determined contribution	(1,317)
Contribution deficiency (excess)	\$ 3,621

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, 2017

	Fund Balances				Other Financing	Fund Balances
	July 1, 2016	Revenues	Expenditures	Sources (Uses)	June 30, 2017	
Special Revenue:						
Federal and State Grants:						
School Grants	\$ 19,644	\$ 956,627	\$ 957,068	\$ -	\$ -	\$ 19,203
Arts Lottery Council Grants	8,820	5,017	8,464	-	-	5,373
Council on Aging Grants	-	28,820	8,589	(20,031)	-	200
Extended Polling Hours	-	3,646	-	-	-	3,646
Health Grants	59,179	34,700	55,773	-	-	38,106
Highway Grants	-	98,790	98,790	-	-	-
Library Grants	52,671	26,522	22,159	-	-	57,034
Other Grants and Programs	19,050	14,050	5,475	-	-	27,625
Planning Grants	5,746	21,000	5,082	-	-	21,664
Public Safety Grants	11,008	128,020	72,549	759	-	67,238
Schools:						
School Lunch Revolving	78,447	749,375	778,482	-	-	49,340
School Lunch Commodities	-	69,551	69,551	-	-	-
Privately Funded Grants	144	2,000	2,117	-	-	27
School Choice	310,243	383,144	390,944	-	-	302,443
School Revolving Accounts	493,093	489,698	622,065	-	-	360,726
State Special Education Reimbursement Fund	345,181	695,322	662,285	-	-	378,218
Other:						
Animal Damage Reserve Fees	23,572	3,256	-	-	-	26,828
Commission on Disability Parking Fines	600	-	-	-	-	600
Community Preservation Fund	996,373	470,040	332,012	(49,149)	-	1,085,252
Conservation Fees	194,609	32,166	35,769	-	-	191,006
Council on Aging Revolving	49,917	53,901	67,619	20,031	-	56,230
Fire Department Revolving	3,586	7,679	4,705	-	-	6,560
Gifts and Donations	233,414	67,122	57,359	-	-	243,177
Health Department Revolving	6,180	15,820	8,925	1,840	-	14,915
Home Composting Bins Revolving	4,250	55	-	-	-	4,305
Insurance Recovery	607	27,761	27,011	-	-	1,357
Law Enforcement Fund	6,383	551	269	-	-	6,665
Library Grafton Education Association Grant	307	3,500	1,867	-	-	1,940
Municipal Waterways Revolving Funds	13,443	70	915	-	-	12,598
Total Special Revenue Page 68	\$ 2,936,467	\$ 4,388,203	\$ 4,295,844	\$ (46,550)	\$ -	\$ 2,982,276

**TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
Continued from Page 68	\$ 2,936,467	\$ 4,388,203	\$ 4,295,844	\$ (46,550)	\$ 2,982,276
Other (Continued):					
Municipal Center Use Revolving	376	378	-	-	754
Old Town Hall Revolving	23,769	19,003	49,251	-	(6,479)
PEG Access/Verizon	576,163	288,618	220,748	-	644,033
Planning Board Revolving	80,586	112,469	99,737	-	93,318
Police Outside Detail	-	398,798	398,798	-	-
Recreation Revolving	162,506	319,705	281,612	(21,994)	178,605
Sale of Cemetery Lots	60,685	6,900	-	-	67,585
Septic Repair Betterment Repayments	35,702	828	4,993	-	31,537
South Grafton Community House Facility Revolving	15,514	2,755	-	-	18,269
Treasurer Tax Title Fees	1,160	40,114	39,765	-	1,509
Affordable Housing Fund	1,425,760	16,013	188	49,149	1,490,734
Conservation Fund	23,889	335	-	-	24,224
Unemployment Compensation Fund	40,568	(623)	100,357	91,600	31,188
Total Special Revenue Funds	5,383,145	5,593,496	5,491,293	72,205	5,557,553
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
Facilities Upgrades	4,622	-	4,622	-	-
Fire Station	128,288	-	11,312	-	116,976
Road Stabilization	1,493,718	-	611,607	1,500,040	2,382,151
Stow Road Construction	17,010	-	16,837	-	173
Total Capital Projects	\$ 1,660,024	\$ -	\$ 644,378	\$ 1,500,040	\$ 2,515,686

**TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
Perpetual Permanent Funds:					
Ann Cochiola Fund	\$ 5,040	\$ -	\$ -	\$ -	\$ 5,040
Campbell Fund	1,815	-	-	-	1,815
Cemetery Perpetual Care Fund	629,004	20,700	-	-	649,704
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	719,844	20,700	-	-	740,544
Permanent Funds:					
Ann Cochiola Fund	5,566	103	-	-	5,669
Campbell Fund	2,335	39	-	-	2,374
Cemetery Perpetual Care Fund	217,640	9,026	-	-	226,666
Library Fund	240,480	3,021	-	-	243,501
Palmer Gift - Pine Grove Fund	7,804	86	-	-	7,890
Whitin Gate and Bell Fund	25,241	350	-	-	25,591
Total Permanent Funds	499,066	12,625	-	-	511,691
Total Non-Major Governmental Funds	\$ 8,262,079	\$ 5,626,821	\$ 6,135,671	\$ 1,572,245	\$ 9,325,474

**TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND ROLLBACK TAXES
AND COMMUNITY PRESERVATION SURCHARGE
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Taxes July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2017	Uncollected Taxes Per Detail June 30, 2017
Real Estate Taxes:						
Levy of 2017	\$ -	\$ 37,488,719	\$ 281,915	\$ 36,862,383	\$ 344,421	\$ 344,421
Levy of 2016	190,997	77,184	91,942	176,239	-	-
Levy of 2015	-	-	447	(447)	-	-
Levy of 2014	-	-	3,838	(3,838)	-	-
	<u>190,997</u>	<u>37,565,903</u>	<u>378,142</u>	<u>37,034,337</u>	<u>344,421</u>	<u>344,421</u>
Personal Property Taxes:						
Levy of 2017	-	990,616	2,829	936,600	51,187	51,187
Levy of 2016	7,181	-	-	2,598	4,583	4,583
Levy of 2015	3,081	-	-	1,365	1,716	1,716
Levy of 2014	4,634	-	-	1,250	3,384	3,384
Levy of 2013	5,918	-	-	1,720	4,198	4,198
Prior Years	16,673	-	41,451	(36,687)	11,909	11,909
	<u>37,487</u>	<u>990,616</u>	<u>44,280</u>	<u>906,846</u>	<u>76,977</u>	<u>76,977</u>
Rollback Taxes	-	3,944	-	3,944	-	-
Total Real Estate, Personal Property and Rollback Taxes	<u>\$ 228,484</u>	<u>\$ 38,560,463</u>	<u>\$ 422,422</u>	<u>\$ 37,945,127</u>	<u>\$ 421,398</u>	<u>\$ 421,398</u>
Community Preservation Surcharge:						
Levy of 2017	\$ -	\$ 403,762	\$ 3,167	\$ 397,135	\$ 3,460	\$ 3,460
Levy of 2016	816	1,007	942	881	-	-
Total Community Preservation Surcharge	<u>\$ 816</u>	<u>\$ 404,769</u>	<u>\$ 4,109</u>	<u>\$ 398,016</u>	<u>\$ 3,460</u>	<u>\$ 3,460</u>

**TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE AND BOAT EXCISE TAXES
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Taxes July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2017	Uncollected Taxes Per Detail June 30, 2017
Motor Vehicle Excise Taxes:						
Levy of 2017	\$ -	\$ 2,613,055	\$ 32,078	\$ 2,274,459	\$ 306,518	\$ 306,518
Levy of 2016	99,225	468,078	25,588	508,195	33,520	33,520
Levy of 2015	32,753	-	1,379	19,072	12,302	12,302
Levy of 2014	13,874	-	1,832	988	11,054	11,054
Levy of 2013	12,583	-	11,473	1,110	-	-
Prior Years	9,496	-	8,318	1,045	133	133
Total Motor Vehicle Excise Taxes	167,931	3,081,133	80,668	2,804,869	363,527	363,527
Boat Excise Taxes:						
Levy of 2015	245	-	-	-	245	245
Levy of 2014	647	-	-	(20)	667	667
Levy of 2013	473	-	480	(7)	-	-
Prior Years	1,169	-	1,325	(156)	-	-
Total Boat Excise Taxes:	2,534	-	1,805	(183)	912	912
Total Motor Vehicle and Boat Excise Taxes	\$ 170,465	\$ 3,081,133	\$ 82,473	\$ 2,804,686	\$ 364,439	\$ 364,439

**TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Accounts July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2017	Uncollected Accounts Per Detail June 30, 2017
General Fund:						
Tax Liens	\$ 940,477	\$ 247,813	\$ 87,120	\$ 145,472	\$ 955,698	\$ 955,698
Non-major Governmental Fund:						
Community Preservation Surcharge:						
Tax Liens	\$ 8,436	\$ 2,072	\$ 5,201	\$ 1,103	\$ 4,204	\$ 4,204