

TOWN OF AMHERST, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2018

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Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Amherst, 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 Amherst, Massachusetts, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Pension and OPEB Schedules appearing on pages 62 to 65 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 evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

Melanson Heath

February 22, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Amherst (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

Both of the government-wide financial statements distinguish functions 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, education, public works, planning, conservation and inspections, community services and library services. The business-type activities include sewer, water, landfill and transportation 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 financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity established fees and charges designed to recover its costs, including capital costs such as depreciation and debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for sewer, water, landfill and transportation operations, which are considered major funds.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal services funds are used to account for self-insured employee health and workers compensation programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of liabilities and deferred inflows exceeded assets and deferred outflows by \$(30,255,654) (i.e., net position), a change of \$251 in comparison to the restated prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$25,481,369, a change of \$1,090,748 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$13,575,649, a change of \$(727,353) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

NET POSITION

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 35,926	\$ 34,222	\$ 9,184	\$ 8,595	\$ 45,110	\$ 42,817
Capital assets	<u>28,493</u>	<u>28,623</u>	<u>28,707</u>	<u>28,448</u>	<u>57,200</u>	<u>57,071</u>
Total assets	64,419	62,845	37,891	37,043	102,310	99,888
Deferred outflows of resources	2,593	7,027	304	844	2,897	7,871
Current liabilities	8,509	7,279	3,567	1,405	12,076	8,684
Non current liabilities	<u>99,155</u>	<u>97,168</u>	<u>15,771</u>	<u>16,193</u>	<u>114,926</u>	<u>113,361</u>
Total liabilities	107,664	104,447	19,338	17,598	127,002	122,045
Deferred inflows of resources	7,745	1,504	715	181	8,460	1,685
Net position:						
Net investment in capital assets	27,730	25,334	17,174	17,447	44,904	42,781
Restricted	7,347	6,683	3,397	3,599	10,744	10,282
Unrestricted	<u>(83,474)</u>	<u>(68,096)</u>	<u>(2,429)</u>	<u>(938)</u>	<u>(85,903)</u>	<u>(69,034)</u>
Total net position	<u>\$ (48,397)</u>	<u>\$ (36,079)</u>	<u>\$ 18,142</u>	<u>\$ 20,108</u>	<u>\$ (30,255)</u>	<u>\$ (15,971)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$(30,255,654), a change of \$251 in comparison to the restated prior year.

A large portion of net position, \$44,903,632, reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$10,744,484 represents resources that are subject to external restrictions on how they may be used. The remaining balances of unrestricted net position are deficits of \$(83,474,448) (governmental) and \$(2,429,322) (business-type).

CHANGES IN NET POSITION

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,659	\$ 7,794	\$ 9,809	\$ 9,697	\$ 17,468	\$ 17,491
Operating grants and contributions	24,735	23,122	-	-	24,735	23,122
Capital grants and contributions	424	1,618	-	-	424	1,618
General revenues:						
Property taxes	51,695	48,576	-	-	51,695	48,576
Excises	1,931	1,854	-	-	1,931	1,854
Penalties, interest and other taxes	1,310	2,225	-	-	1,310	2,225
Grants and contributions not restricted to specific programs	9,521	9,155	-	-	9,521	9,155
Investment income	261	621	97	58	358	679
Other	606	1,686	173	136	779	1,822
Total revenues	<u>98,142</u>	<u>96,651</u>	<u>10,079</u>	<u>9,891</u>	<u>108,221</u>	<u>106,542</u>
Expenses:						
General government	11,023	10,722	-	-	11,023	10,722
Public safety	16,000	17,107	-	-	16,000	17,107
Education	51,085	52,810	-	-	51,085	52,810
Public works	5,131	4,904	-	-	5,131	4,904
Planning, conservation and inspections	2,888	2,829	-	-	2,888	2,829
Community services	4,516	4,384	-	-	4,516	4,384
Library services	2,854	2,897	-	-	2,854	2,897
Interest on long-term debt	180	220	-	-	180	220
Intergovernmental	3,018	2,946	-	-	3,018	2,946
Sewer	-	-	4,145	4,651	4,145	4,651
Water	-	-	5,837	4,442	5,837	4,442
Landfill	-	-	300	470	300	470
Transportation	-	-	1,243	1,155	1,243	1,155
Total expenses	<u>96,695</u>	<u>98,819</u>	<u>11,525</u>	<u>10,718</u>	<u>108,220</u>	<u>109,537</u>
Change in net position	1,447	(2,168)	(1,446)	(827)	1	(2,995)
Net position - beginning of year, as restated	<u>(49,844)</u>	<u>(33,911)</u>	<u>19,588</u>	<u>20,935</u>	<u>(30,256)</u>	<u>(12,976)</u>
Net position - end of year	<u>\$ (48,397)</u>	<u>\$ (36,079)</u>	<u>\$ 18,142</u>	<u>\$ 20,108</u>	<u>\$ (30,255)</u>	<u>\$ (15,971)</u>

Fiscal year 2017 amounts reported above were not restated as the Town applied GASB 75 prospectively.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$1,446,475. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (616,917)
Major fund - Ambulance receipts in excess of transfers out	99,390
Non-major fund revenues and transfers in in excess of expenditures and transfers out	1,608,275
Depreciation expense in excess of principal debt service	(1,283,303)
Capital assets purchases	2,666,830
Change in net pension liability, net of deferrals	152,181
Change in net OPEB liability, net of deferrals	(445,214)
Other timing differences	(251,922)
Internal service fund expenditures in excess of revenues and transfers in	<u>(482,845)</u>
Total	<u>\$ 1,446,475</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(1,446,224). Key elements of this change are as follows:

Sewer operations	\$ (52,525)
Water operations	(1,469,246)
Landfill operations	224,227
Transportation operations	<u>(148,680)</u>
Total	<u>\$ (1,446,224)</u>

D. FINANCIAL ANALYSIS OF FUNDS

As noted earlier, fund accounting is used 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, 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 \$25,481,369, a change of \$1,090,748 in comparison to the prior year. Key elements of this change are as follows:

General fund operations, as discussed further below	\$ (616,917)
Major fund - Ambulance receipts in excess of transfers out	99,390
Non-major fund revenues and transfers in in excess of expenditures and transfers out	<u>1,608,275</u>
Total	<u>\$ 1,090,748</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$13,575,649, while total fund balance was \$14,352,585. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% of Total 2018 General Fund Expenditures</u>
Unassigned fund balance	\$13,575,649	\$14,303,002	(\$727,353)	17.98%
Total fund balance	\$14,352,585	\$14,969,502	(\$616,917)	19.01%

The total fund balance of the general fund changed by \$(616,917) during the current fiscal year. Key factors in this change are as follows:

General Fund Operating Results:

Excess of tax collections compared to budget	\$ 666,924
State and local revenues over budget	530,308
Budgetary appropriations unspent by departments	456,909
Use of free cash as a funding source for nonrecurring expenses	(3,561,633)
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current year	(54,564)
Change in Stabilization fund	<u>1,345,139</u>
Total	<u>\$ (616,917)</u>

Included in the total general fund balance is the Town's stabilization fund with the following balance:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Stabilization fund	\$9,416,997	\$8,071,858	\$1,345,139

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$(2,429,322), a change of \$1,151,846 in comparison to the restated prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Difference between the original budget and the final amended budget resulted in an overall increase in appropriations of \$2 million, representing a transfer to the internal service fund, which was funded by free cash. This transfer will be reimbursed to the general fund via a temporary health insurance premium surcharge to employers and employees until such time the total appropriation has been reimbursed.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$57,200,603 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, building improvements, machinery, equipment and furnishings, and infrastructure.

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

Depreciation expense - governmental activities	\$ (2,796,313)
Depreciation expense - business-type activities	(1,264,623)
Infrastructure	
Street improvements	1,641,822
Building and improvements	
Bangs elevator upgrade	29,489
Other	11,273
Departmental vehicles and equipment	
General government	49,985
Public safety	228,478
Education	48,883
Public works	325,056
Water	101,775
Land	
Kieras property	124,480
Construction in progress	
Bangs Center bathroom improvements	190,341
Boltwood walk	141,538
Amherst Woods water and sewer	1,127,534
Sewer boiler replacement	152,392
Water system improvements	142,832
Other	54,109
Capital asset disposals, net	(179,216)

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$12,130,420, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Amherst'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:

Ms. Sonia Aldrich
Comptroller
Town of Amherst
4 Boltwood Avenue
Amherst, MA 01002

TOWN OF AMHERST, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 17,612,512	\$ 3,731,590	\$ 21,344,102
Investments	13,615,135	3,893,832	17,508,967
Receivables, net of allowance for uncollectibles:			
Property taxes	743,103	-	743,103
Excises	154,421	-	154,421
User fees	-	1,401,036	1,401,036
Departmental and other	947,592	158,161	1,105,753
Intergovernmental	2,263,485	-	2,263,485
Loans	2,666	-	2,666
Other assets	27,255	-	27,255
Noncurrent:			
Property taxes, net of allowance for uncollectibles	380,154	-	380,154
Land and construction in progress	4,868,151	6,790,708	11,658,859
Capital assets, net of accumulated depreciation	23,625,142	21,916,602	45,541,744
Working deposit	179,184	-	179,184
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	<u>2,593,299</u>	<u>303,566</u>	<u>2,896,865</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	67,012,099	38,195,495	105,207,594
LIABILITIES			
Current:			
Warrants payable	1,458,342	49,117	1,507,459
Accrued payroll and withholdings	2,752,136	-	2,752,136
Accrued liabilities	931,496	-	931,496
Notes payable	900,000	2,920,000	3,820,000
Other liabilities	1,075,512	-	1,075,512
Current portion of long-term liabilities:			
Bonds payable	1,391,810	558,400	1,950,210
Other	-	40,000	40,000
Noncurrent:			
Bonds payable, net of current portion	3,163,810	7,016,400	10,180,210
Net pension liability	44,932,258	5,259,678	50,191,936
Net OPEB liability	48,853,761	2,653,610	51,507,371
Other, net of current portion	2,205,491	840,860	3,046,351
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	4,699,071	550,063	5,249,134
Related to OPEB	<u>3,045,983</u>	<u>165,450</u>	<u>3,211,433</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	115,409,670	20,053,578	135,463,248
NET POSITION			
Net investment in capital assets	27,729,576	17,174,056	44,903,632
Restricted for:			
Grants and other statutory restrictions	6,833,475	-	6,833,475
Permanent funds:			
Nonexpendable	339,719	-	339,719
Expendable	174,107	-	174,107
Other purposes	-	3,397,183	3,397,183
Unrestricted	<u>(83,474,448)</u>	<u>(2,429,322)</u>	<u>(85,903,770)</u>
TOTAL NET POSITION	\$ <u>(48,397,571)</u>	\$ <u>18,141,917</u>	\$ <u>(30,255,654)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	<u>General</u>	<u>Ambulance Receipt Reserved</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 5,589,562	\$ 3,388,670	\$ 8,044,462	\$ 17,022,694
Investments	13,010,261	-	542,759	13,553,020
Receivables:				
Property taxes	827,558	-	11,087	838,645
Tax liens	755,124	-	8,641	763,765
Excises	219,919	-	-	219,919
Departmental and other	27,943	913,333	6,316	947,592
Intergovernmental	238,362	-	549,739	788,101
Loans	-	-	2,666	2,666
Other assets	-	-	27,255	27,255
TOTAL ASSETS	\$ 20,668,729	\$ 4,302,003	\$ 9,192,925	\$ 34,163,657
LIABILITIES				
Warrants payable	\$ 1,392,078	\$ -	\$ 19,766	\$ 1,411,844
Accrued payroll and withholdings	2,675,054	-	77,082	2,752,136
Notes payable	-	-	900,000	900,000
Other liabilities	648,260	-	427,252	1,075,512
TOTAL LIABILITIES	4,715,392	-	1,424,100	6,139,492
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	1,600,752	913,334	28,710	2,542,796
FUND BALANCES				
Nonspendable	-	-	339,719	339,719
Restricted	-	3,388,669	2,781,557	6,170,226
Committed	-	-	5,230,518	5,230,518
Assigned	776,936	-	-	776,936
Unassigned	13,575,649	-	(611,679)	12,963,970
TOTAL FUND BALANCES	14,352,585	3,388,669	7,740,115	25,481,369
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 20,668,729	\$ 4,302,003	\$ 9,192,925	\$ 34,163,657

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2018

Total Governmental Fund Balances	\$ 25,481,369
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	28,493,293
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting (net of allowance for uncollectibles) and are not deferred until collection.	1,998,145
<ul style="list-style-type: none">• Internal service funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.	1,328,507
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, net pension liability, and net OPEB liability are not due and payable in the current period and, therefore are not reported in the governmental funds.	(103,493,394)
<ul style="list-style-type: none">• Other	<u>(2,205,491)</u>
Net Position of Governmental Activities	<u>\$ (48,397,571)</u>

The accompanying notes are an integral part of these financial statements.

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

	<u>General</u>	<u>Ambulance Receipt Reserved</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 50,862,072	\$ -	\$ 1,080,812	\$ 51,942,884
Excises	1,916,204	-	-	1,916,204
Penalties, interest and other taxes	1,305,499	-	4,053	1,309,552
Charges for services	2,703,426	2,591,213	1,453,746	6,748,385
Intergovernmental	18,791,903	144,788	5,187,683	24,124,374
Licenses and permits	924,057	-	-	924,057
Fines and forfeitures	127,331	-	-	127,331
Investment income	144,814	9	52,203	197,026
Contributions	-	-	132,147	132,147
Miscellaneous	49,592	-	141,039	190,631
Total Revenues	<u>76,824,898</u>	<u>2,736,010</u>	<u>8,051,683</u>	<u>87,612,591</u>
Expenditures:				
Current:				
General government	12,814,274	-	492,425	13,306,699
Public safety	10,221,792	-	881,842	11,103,634
Education	40,390,179	-	2,137,486	42,527,665
Public works	2,379,343	-	2,483,393	4,862,736
Planning, conservation and inspections	1,402,001	-	1,147,413	2,549,414
Community services	1,664,381	-	1,699,574	3,363,955
Library services	1,926,054	-	170,705	2,096,759
Debt service	1,688,165	-	5,210	1,693,375
Intergovernmental	3,017,606	-	-	3,017,606
Total Expenditures	<u>75,503,795</u>	<u>-</u>	<u>9,018,048</u>	<u>84,521,843</u>
Excess (deficiency) of revenues over expenditures	1,321,103	2,736,010	(966,365)	3,090,748
Other Financing Sources (Uses):				
Transfers in	2,961,747	-	3,950,645	6,912,392
Transfers out	<u>(4,899,767)</u>	<u>(2,636,620)</u>	<u>(1,376,005)</u>	<u>(8,912,392)</u>
Total Other Financing Sources (Uses)	<u>(1,938,020)</u>	<u>(2,636,620)</u>	<u>2,574,640</u>	<u>(2,000,000)</u>
Change in fund balance	(616,917)	99,390	1,608,275	1,090,748
Fund Balance, at Beginning of Year	<u>14,969,502</u>	<u>3,289,279</u>	<u>6,131,840</u>	<u>24,390,621</u>
Fund Balance, at End of Year	<u>\$ 14,352,585</u>	<u>\$ 3,388,669</u>	<u>\$ 7,740,115</u>	<u>\$ 25,481,369</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Net Changes in Fund Balances - Total Governmental Funds	\$	1,090,748																		
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td style="padding-left: 20px;">Capital outlay purchases, net of dispositions</td> <td style="text-align: right;">2,666,830</td> </tr> <tr> <td style="padding-left: 20px;">Depreciation</td> <td style="text-align: right;">(2,796,313)</td> </tr> </table> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td style="padding-left: 20px;">Repayments of debt</td> <td style="text-align: right;">1,513,010</td> </tr> <tr> <td style="padding-left: 20px;">Repayments of capital lease</td> <td style="text-align: right;">34,523</td> </tr> </table> Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures, and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the change in deferred revenue, net allowance for uncollectibles. <table> <tr> <td></td> <td style="text-align: right;">(290,979)</td> </tr> </table> 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: <table> <tr> <td style="padding-left: 20px;">Net pension liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">152,181</td> </tr> <tr> <td style="padding-left: 20px;">Net OPEB liability and related deferred inflows of resources</td> <td style="text-align: right;">(445,214)</td> </tr> <tr> <td style="padding-left: 20px;">Other</td> <td style="text-align: right;">4,534</td> </tr> </table> Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with governmental activities. <table> <tr> <td></td> <td style="text-align: right;"><u>(482,845)</u></td> </tr> </table> 			Capital outlay purchases, net of dispositions	2,666,830	Depreciation	(2,796,313)	Repayments of debt	1,513,010	Repayments of capital lease	34,523		(290,979)	Net pension liability and related deferred outflows and inflows of resources	152,181	Net OPEB liability and related deferred inflows of resources	(445,214)	Other	4,534		<u>(482,845)</u>
Capital outlay purchases, net of dispositions	2,666,830																			
Depreciation	(2,796,313)																			
Repayments of debt	1,513,010																			
Repayments of capital lease	34,523																			
	(290,979)																			
Net pension liability and related deferred outflows and inflows of resources	152,181																			
Net OPEB liability and related deferred inflows of resources	(445,214)																			
Other	4,534																			
	<u>(482,845)</u>																			
Change in Net Position of Governmental Activities	\$	<u>1,446,475</u>																		

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Transfers In:				
Property taxes	\$ 50,195,148	\$ 50,195,148	\$ 50,195,148	\$ -
Excises	1,720,925	1,720,925	1,916,204	195,279
Penalties, interest and other taxes	1,134,476	1,134,476	1,305,499	171,023
Charges for services	2,625,774	2,625,774	2,703,426	77,652
Intergovernmental	16,630,784	16,630,784	16,625,762	(5,022)
Licenses and permits	976,771	976,771	924,057	(52,714)
Fines and forfeitures	97,700	97,700	127,331	29,631
Investment income	70,000	70,000	101,308	31,308
Miscellaneous	25,000	25,000	49,592	24,592
Transfers in	2,903,188	2,903,188	2,961,747	58,559
Total Revenues and Transfers In	76,379,766	76,379,766	76,910,074	530,308
Expenditures and Transfers Out:				
General government	12,737,524	12,764,696	12,683,577	81,119
Public safety	10,359,472	10,359,472	10,209,320	150,152
Education	38,222,826	38,222,826	38,222,395	431
Public works	2,326,634	2,424,462	2,413,335	11,127
Planning, conservation and inspections	1,421,061	1,421,061	1,402,043	19,018
Community services	1,860,864	1,735,864	1,720,595	15,269
Library services	1,926,054	1,926,054	1,926,054	-
Debt service	1,737,381	1,737,381	1,688,165	49,216
Intergovernmental	3,148,183	3,148,183	3,017,606	130,577
Transfers out	4,201,400	6,201,400	6,201,400	-
Total Expenditures and Transfers Out	77,941,399	79,941,399	79,484,490	456,909
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(1,561,633)	(3,561,633)	(2,574,416)	987,217
Other Financing Sources/Uses:				
Use of free cash:				
Operating budget	60,000	60,000	-	(60,000)
Transfer to Special revenue fund	150,000	150,000	-	(150,000)
Transfer to Capital project fund	50,000	50,000	-	(50,000)
Transfer to Internal service fund	-	2,000,000	-	(2,000,000)
Transfer to Stabilization fund	1,301,633	1,301,633	-	(1,301,633)
Total Other Financing Sources/Uses	1,561,633	3,561,633	-	(3,561,633)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ (2,574,416)	\$ (2,574,416)

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	Business-Type Activities Enterprise Funds					Governmental Activities
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Landfill Fund</u>	<u>Transportation Fund</u>	<u>Total Enterprise</u>	<u>Internal Service Funds</u>
ASSETS						
Current:						
Cash and short-term investments	\$ 2,076,986	\$ 1,467,978	\$ 60,960	\$ 125,666	\$ 3,731,590	\$ 589,818
Investments	2,157,519	1,549,471	61,030	125,812	3,893,832	62,115
Receivables, net of allowance for uncollectibles:						
User fees	697,029	697,647	6,360	-	1,401,036	-
Departmental	-	-	-	158,161	158,161	-
Intergovernmental	-	-	-	-	-	1,475,384
Total current assets	<u>4,931,534</u>	<u>3,715,096</u>	<u>128,350</u>	<u>409,639</u>	<u>9,184,619</u>	<u>2,127,317</u>
Noncurrent:						
Land and construction in progress	2,158,772	4,133,994	497,942	-	6,790,708	-
Capital assets, net of accumulated depreciation	9,601,500	8,718,596	143,409	3,453,097	21,916,602	-
Working deposit	-	-	-	-	-	179,184
Total noncurrent assets	<u>11,760,272</u>	<u>12,852,590</u>	<u>641,351</u>	<u>3,453,097</u>	<u>28,707,310</u>	<u>179,184</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	<u>126,891</u>	<u>128,240</u>	<u>21,736</u>	<u>26,699</u>	<u>303,566</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>16,818,697</u>	<u>16,695,926</u>	<u>791,437</u>	<u>3,889,435</u>	<u>38,195,495</u>	<u>2,306,501</u>

(continued)

(continued)

	Business-Type Activities Enterprise Funds					Governmental Activities
	Sewer Fund	Water Fund	Landfill Fund	Transportation Fund	Total Enterprise	Internal Service Funds
LIABILITIES						
Current:						
Warrants payable	22,096	18,436	4,486	4,099	49,117	46,498
Accrued claims payable	-	-	-	-	-	931,496
Notes payable	2,000,000	800,000	-	120,000	2,920,000	-
Current portion of long-term liabilities:						
Bonds payable	263,400	250,000	-	45,000	558,400	-
Other	-	-	40,000	-	40,000	-
Total current liabilities	2,285,496	1,068,436	44,486	169,099	3,567,517	977,994
Noncurrent:						
Bonds payable, net of current portion	3,621,400	3,350,000	-	45,000	7,016,400	-
Net pension liability	2,198,548	2,221,923	376,609	462,598	5,259,678	-
Net OPEB liability	959,213	1,149,789	287,457	257,151	2,653,610	-
Other, net of current portion	101,054	60,009	661,047	18,750	840,860	-
Total noncurrent liabilities	6,880,215	6,781,721	1,325,113	783,499	15,770,548	-
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	229,927	232,371	39,386	48,379	550,063	-
Related to OPEB	59,806	71,688	17,923	16,033	165,450	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	9,455,444	8,154,216	1,426,908	1,017,010	20,053,578	977,994
NET POSITION						
Net investment in capital assets	6,859,580	8,547,544	641,351	1,125,581	17,174,056	-
Restricted for other purposes	479,225	762,063	-	2,155,895	3,397,183	-
Unrestricted	24,448	(767,897)	(1,276,822)	(409,051)	(2,429,322)	1,328,507
TOTAL NET POSITION	<u>\$ 7,363,253</u>	<u>\$ 8,541,710</u>	<u>\$ (635,471)</u>	<u>\$ 2,872,425</u>	<u>\$ 18,141,917</u>	<u>\$ 1,328,507</u>

The accompanying notes are an integral part of these financial statements.

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

	Business-Type Activities Enterprise Funds					Governmental Activities
	Sewer Fund	Water Fund	Landfill Fund	Transportation Fund	Total Enterprise	Internal Service Funds
Operating Revenues:						
Charges for services	\$ 4,037,201	\$ 4,230,392	\$ 447,446	\$ 1,093,642	\$ 9,808,681	\$ 4,250,924
Employee and employer contributions	-	-	-	-	-	12,263,269
Miscellaneous revenue	-	-	-	-	-	331,756
Total Operating Revenues	<u>4,037,201</u>	<u>4,230,392</u>	<u>447,446</u>	<u>1,093,642</u>	<u>9,808,681</u>	<u>16,845,949</u>
Operating Expenses:						
Salaries and benefits	1,631,929	2,486,406	131,503	419,034	4,668,872	223,966
Other operating expenses	1,809,109	2,758,937	156,701	653,751	5,378,498	1,643,880
Depreciation	594,708	493,300	11,930	164,685	1,264,623	-
Health insurance claims	-	-	-	-	-	17,485,896
Other claims	-	-	-	-	-	38,602
Total Operating Expenses	<u>4,035,746</u>	<u>5,738,643</u>	<u>300,134</u>	<u>1,237,470</u>	<u>11,311,993</u>	<u>19,392,344</u>
Operating Income (Loss)	1,455	(1,508,251)	147,312	(143,828)	(1,503,312)	(2,546,395)
Nonoperating Revenues (Expenses):						
Investment income	48,977	46,250	1,563	806	97,596	63,550
Other nonoperating income	6,634	90,855	75,352	-	172,841	-
Interest expense	(109,591)	(98,100)	-	(5,658)	(213,349)	-
Total Nonoperating Revenues (Expenses), Net	<u>(53,980)</u>	<u>39,005</u>	<u>76,915</u>	<u>(4,852)</u>	<u>57,088</u>	<u>63,550</u>
Income (Loss) Before Transfers	<u>(52,525)</u>	<u>(1,469,246)</u>	<u>224,227</u>	<u>(148,680)</u>	<u>(1,446,224)</u>	<u>(2,482,845)</u>
Transfers, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
Change in Net Position	(52,525)	(1,469,246)	224,227	(148,680)	(1,446,224)	(482,845)
Net Position at Beginning of Year, as restated	<u>7,415,778</u>	<u>10,010,956</u>	<u>(859,698)</u>	<u>3,021,105</u>	<u>19,588,141</u>	<u>1,811,352</u>
Net Position at End of Year	<u>\$ 7,363,253</u>	<u>\$ 8,541,710</u>	<u>\$ (635,471)</u>	<u>\$ 2,872,425</u>	<u>\$ 18,141,917</u>	<u>\$ 1,328,507</u>

The accompanying notes are an integral part of these financial statements.

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

	Business-Type Activities Enterprise Funds					Governmental Activities
	Sewer Fund	Water Fund	Landfill Fund	Transportation Fund	Total Enterprise	Internal Service Funds
<u>Cash Flows From Operating Activities:</u>						
Receipts from customers and users	\$ 4,120,210	\$ 4,301,912	\$ 449,765	\$ 1,087,420	\$ 9,959,307	\$ -
Payments to vendors and employees	(3,587,744)	(4,379,772)	(466,551)	(1,016,575)	(9,450,642)	-
Receipts from employees, employer, and others	-	-	-	-	-	15,892,634
Payments of employee benefits and expenses	-	-	-	-	-	(19,276,156)
Net Cash Provided By / (Used For) Operating Activities	532,466	(77,860)	(16,786)	70,845	508,665	(3,383,522)
<u>Cash Flows From Noncapital Financing Activities:</u>						
Other non-operating income	6,634	90,855	75,352	-	172,841	-
Transfers in	-	-	-	-	-	2,000,000
Net Cash Provided By Noncapital Financing Activities	6,634	90,855	75,352	-	172,841	2,000,000
<u>Cash Flows From Capital and Related Financing Activities:</u>						
Acquisition and construction of capital assets, net of disposals	(952,179)	(571,762)	-	-	(1,523,941)	-
Principal payments on bonds and notes	(767,200)	(250,000)	-	(205,000)	(1,222,200)	-
Issuance of notes	2,000,000	800,000	-	120,000	2,920,000	-
Interest expense	(109,591)	(98,100)	-	(5,658)	(213,349)	-
Net Cash Provided By / (Used For) Capital and Related Financing Activities	171,030	(119,862)	-	(90,658)	(39,490)	-
<u>Cash Flows From Investing Activities:</u>						
(Purchase) or sale of investments	(291,620)	107,160	(28,574)	14,654	(198,380)	117,281
Investment income	48,977	46,250	1,563	806	97,596	63,550
Net Cash Provided By / (Used For) Investing Activities	(242,643)	153,410	(27,011)	15,460	(100,784)	180,831
Net Change in Cash and Short-Term Investments	467,487	46,543	31,555	(4,353)	541,232	(1,202,691)
Cash and Short-Term Investments, Beginning of Year	1,609,499	1,421,435	29,405	130,019	3,190,358	1,792,509
Cash and Short-Term Investments, End of Year	<u>\$ 2,076,986</u>	<u>\$ 1,467,978</u>	<u>\$ 60,960</u>	<u>\$ 125,666</u>	<u>\$ 3,731,590</u>	<u>\$ 589,818</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</u>						
Operating income (loss)	\$ 1,455	\$ (1,508,251)	\$ 147,312	\$ (143,828)	\$ (1,503,312)	\$ (2,546,395)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	594,708	493,300	11,930	164,685	1,264,623	-
Changes in assets, liabilities, and deferred outflows/inflows:						
User fees and departmental receivables	83,009	71,520	2,319	(6,222)	150,626	(953,315)
Deferred outflows - related to pensions	233,592	214,140	40,443	52,009	540,184	-
Warrants and accounts payable	(118,479)	18,436	4,486	1,340	(94,217)	14,664
Net pension liability	(505,595)	(346,422)	(89,826)	(127,826)	(1,069,669)	-
Net OPEB liability	19,953	741,593	(137,121)	85,135	709,560	-
Deferred inflows - related to pensions	152,763	159,082	26,076	31,530	369,451	-
Deferred inflows - related to OPEB	59,806	71,688	17,923	16,033	165,450	-
Other liabilities	11,254	7,054	(40,328)	(2,011)	(24,031)	101,524
Net Cash Provided By / (Used For) Operating Activities	<u>\$ 532,466</u>	<u>\$ (77,860)</u>	<u>\$ (16,786)</u>	<u>\$ 70,845</u>	<u>\$ 508,665</u>	<u>\$ (3,383,522)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	Other Post- Employment Benefits <u>Trust Fund</u>	Agency <u>Funds</u>
ASSETS		
Cash and short-term investments	\$ -	\$ 262,294
Investments - state investment pool	4,968,959	-
Accounts receivable	<u>-</u>	<u>19,037</u>
 Total Assets	 4,968,959	 281,331
 LIABILITIES		
Deposits held in custody	-	104,927
Other liabilities	<u>-</u>	<u>176,404</u>
 Total Liabilities	 <u>-</u>	 <u>281,331</u>
 NET POSITION		
Net position restricted for OPEB	\$ <u><u>4,968,959</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

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

	Other Post- Employment Benefits <u>Trust Fund</u>
Additions:	
Contributions	\$ 3,108,709
Investment income	<u>421,626</u>
Total additions	3,530,335
Deductions:	
Benefit payments to plan members and beneficiaries	<u>2,452,807</u>
Total deductions	<u>2,452,807</u>
Net increase	1,077,528
Net position restricted for OPEB:	
Beginning of year	<u>3,891,431</u>
End of year	<u>\$ 4,968,959</u>

The accompanying notes are an integral part of these financial statements.

Town of Amherst, Massachusetts

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Amherst (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

These financial statements include only the primary government of the Town. They do not include the component unit for which the government is considered to be financially accountable. In fiscal year 2018, it was determined that the Amherst Municipal Affordable Housing Trust met the required GASB 14 (as amended) criteria of component units; however, the aggregate activity for this entity is not material to the Town's financial statements and consequently, has not been included in them.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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.

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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the 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.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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 enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- 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 *ambulance receipt reserved fund* is used to account for ambulance receipts, reserved under MGL Chapter 40 Section 5F, to fund future ambulance-related appropriations as directed by Town Meeting.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with 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 nonoperating revenues and expenses.

The government reports the following major proprietary funds:

- The *sewer enterprise fund*, which accounts for operations of the Town's wastewater treatment facility and supporting infrastructure.
- The *water enterprise fund*, which accounts for operations of the Town's water services and supporting infrastructure.
- The *landfill enterprise fund*, which accounts for operations of the Town's transfer station and supporting infrastructure.
- The *transportation enterprise fund*, which accounts for operations of the Town's parking operations and supporting infrastructure.

The self-insured employee health program and workers compensation funds are reported as an *internal service fund* in the accompanying financial statements.

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

The Town reports the following fiduciary funds:

- The *other post-employment benefits trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained 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 short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments consist of bond mutual funds, certificates of deposit, corporate equities, U.S. Treasury notes and funds invested in the State investment pool (PRIT). Investments are carried at fair value, except certificate of deposit, which are reported at cost.

F. Property Tax Limitations

Legislation known as "Proposition 2 ½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy

limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2018 tax levy reflected an excess capacity of \$19,601.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20 - 30
Buildings	40
Building improvements	20
General infrastructure	20
Water/sewer infrastructure	50
Vehicles	3 - 5
Office equipment	5 - 7
Computer equipment	3 - 5

H. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

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

2. **Stewardship, Compliance and Accountability**

A. *Budgetary Information*

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the reserve fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public.

Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. *Budgetary Basis*

The general fund final appropriation appearing on "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. *Budget/GAAP Reconciliation*

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/expenditures (GAAP basis)	\$ 76,824,898	\$ 75,503,795
Other financing sources/uses (GAAP basis)	<u>2,961,747</u>	<u>4,899,767</u>
Subtotal (GAAP basis)	79,786,645	80,403,562
Remove effect of adding the Town's Stabilization fund per GASB 54	(43,506)	1,301,633
Adjust tax revenue to accrual basis	(666,924)	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(456,500)
Add end of year appropriation carryforwards to expenditures	-	401,936
Reverse the effect of non-budgeted State contributions for teachers retirement	<u>(2,166,141)</u>	<u>(2,166,141)</u>
Budgetary basis	<u>\$ 76,910,074</u>	<u>\$ 79,484,490</u>

D. Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2018:

Governmental Funds:	
Town borrowing capital project fund	\$ (486,679)
Community preservation borrowing capital project fund	<u>(125,000)</u>
	<u>\$ (611,679)</u>

It is anticipated that the deficits in these funds will be eliminated through future bond proceeds.

Enterprise Funds:	
Landfill	\$(635,471)

The Landfill fund deficit is the result of recording a liability for estimated future monitoring costs. The deficit is expected to be eliminated as these costs are incurred over the next 17 years.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned.

Massachusetts General Laws Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town's deposits are within this limitation.

The Town manages custodial credit risk by depositing funds in financial institutions that are insured by federal and state insurance programs, obtaining collateralization agreements for deposits and depositing funds only in institutions that receive strong scores from a bank safety rating service to which the Town subscribes.

As of June 30, 2018, \$245,294 of the Town's bank balance of \$21,731,081 was exposed to custodial credit risk as uninsured and/or collateralized.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, and the investment policy adopted by the Town in October 2012, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). The Town manages credit risk by the diversification and prudent selection of investment instruments and choice of depository. The policy also states that no more than 25% of the Town's investments shall be invested in a single financial institution.

The Town's general investments in bond mutual funds, certificates of deposit and corporate equities are exempt from credit risk disclosure. The OPEB Trust fund investments are in the State investment pool which is also not subject to credit risk. All investments in U.S. Treasury notes are rated AAA.

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

As previously noted, the Town adopted an investment policy in October 2012 that limits unsecured bank deposits to no more than 2% of an institution's assets or 10% of the Town's cash balance. In addition, the policy limits the Treasurer to investing in financial instruments included on

a list produced annually by the Commonwealth Division of Banks (commonly referred to as the “Legal List of Investments”).

The Town’s investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and/or held by the Town’s brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

C. Concentration of Credit Risk

Per the Town’s investment policy, no more than 25% of the Town’s investments shall be invested in a single financial institution. Investments in any one issuer (other than governmental securities and the State investment pool) that represent 5% or more of total investments are as follows:

Greenfield Savings Bank – CDs	\$4,032,498
Westfield Bank – CD	2,017,657

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. For the most part, the policy adopted in October 2012, establishes a one-year investment term limit for applicable types of investments, such as U.S. Treasury notes and certificates of deposit.

Information about the sensitivity of the fair values of the Town’s investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Exempt from Disclosure</u>	<u>Investment Maturities (in Years)</u>	
			<u>Less Than 1</u>	<u>1 - 5</u>
Bond mutual funds	\$ 1,741,300	\$ 1,741,300	\$ -	\$ -
Certificates of deposit	12,800,170	-	7,495,739	5,304,431
Corporate equities	2,364,915	2,364,915	-	-
State investment pool (PRIT)	4,968,959	4,968,959	-	-
U.S. Treasury notes	602,582	-	602,582	-
Total investments	<u>\$ 22,477,926</u>	<u>\$ 9,075,174</u>	<u>\$ 8,098,321</u>	<u>\$ 5,304,431</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. Massachusetts General Law prohibits foreign investments, therefore, the investment policy adopted in October 2012 does not speak specifically to foreign currency issues. This risk is managed by limiting the Treasurer to investments contained on the “Legal List of Investments”.

F. Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). 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 fair value measurements as of June 30, 2018:

<u>Description</u>	<u>Value</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Debt securities:				
U.S. Treasury notes	\$ 602,582	\$ -	\$ 602,582	\$ -
Bond mutual funds	1,741,300	1,741,300	-	-
Equity securities:				
Corporate equities	2,364,915	2,364,915	-	-
Investments measured at the net asset value (NAV):				
External investment pool	<u>4,968,959</u>			
Total	<u>\$ 9,677,756</u>			
<u>Description</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$ 4,968,959	\$ -	Monthly	30 days

5. Property Taxes and Excises Receivables

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor’s for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are

not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

The day after the final tax bill is due, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Property taxes and excise receivables at June 30, 2018 consists of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Net Amount (accrual basis)
Real estate taxes	\$ 682,967	\$ (6,477)	\$ 676,490
Personal property taxes	42,958	(17,870)	25,088
Deferred taxes	101,633	(71,143)	30,490
Community preservation act	11,087	(52)	11,035
Tax liens	<u>763,765</u>	<u>(383,611)</u>	<u>380,154</u>
Total property taxes	<u>\$ 1,602,410</u>	<u>\$ (479,153)</u>	1,123,257
Less current portion:			<u>(743,103)</u>
Noncurrent taxes receivable			<u>\$ 380,154</u>
Motor vehicle excise	<u>\$ 219,919</u>	<u>\$ (65,498)</u>	<u>\$ 154,421</u>
Total excises	<u>\$ 219,919</u>	<u>\$ (65,498)</u>	<u>\$ 154,421</u>

6. User Fee Receivables

Receivables for user charges and departmental at June 30, 2018 consist of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
<u>Receivables:</u>			
Sewer	\$ 697,029	\$ -	\$ 697,029
Water	697,647	-	697,647
Landfill	6,360	-	6,360
Transportation	<u>398,072</u>	<u>(239,911)</u>	<u>158,161</u>
Total	<u>\$ 1,799,108</u>	<u>\$ (239,911)</u>	<u>\$ 1,559,197</u>

7. Intergovernmental Receivables

The balance in the governmental funds represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal year 2018.

8. Loans Receivable

In January 2004, the Town sold the Cushman School to the Cushman-Scott Children's Center, Inc., a non-profit organization, for \$60,000. Under the terms of the sale, the Town received \$3,000 at closing and granted the Children's Center a \$57,000 mortgage, with the Cushman School property as collateral. The mortgage is payable to the Town over 15 years at 5% interest, in equal monthly installments throughout the loan period. The principal balance due to the Town at June 30, 2018 is \$2,666.

9. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
Governmental Activities:					
Capital assets, being depreciated:					
Land improvements	\$ 5,211	\$ -	\$ -	\$ -	\$ 5,211
Buildings and improvements	36,016	41	-	318	36,375
Machinery, equipment, and furnishings	13,279	652	(244)	-	13,687
Infrastructure	20,306	1,642	-	200	22,148
Total capital assets, being depreciated	74,812	2,335	(244)	518	77,421
Less accumulated depreciation for:					
Land improvements	(1,408)	(237)	-	-	(1,645)
Buildings and improvements	(28,919)	(779)	-	-	(29,698)
Machinery, equipment, and furnishings	(8,920)	(1,089)	247	-	(9,762)
Infrastructure	(11,999)	(692)	-	-	(12,691)
Total accumulated depreciation	(51,246)	(2,797)	247	-	(53,796)
Total capital assets, being depreciated, net	23,566	(462)	3	518	23,625
Capital assets, not being depreciated:					
Land	4,563	124	-	-	4,687
Construction in progress (CIP)	494	387	(182)	(518)	181
Total capital assets, not being depreciated	5,057	511	(182)	(518)	4,868
Governmental activities capital assets, net	\$ 28,623	\$ 49	\$ (179)	\$ -	\$ 28,493

	Beginning Balance	Increases	Decreases	Reclass CIP	Ending Balance
Business-Type Activities:					
Capital assets, being depreciated:					
Land improvements	\$ 2,889	\$ -	\$ (9)	\$ -	\$ 2,880
Buildings improvements and infrastructure	35,582	-	-	-	35,582
Machinery, equipment, and furnishings	<u>7,263</u>	<u>101</u>	<u>(8)</u>	<u>-</u>	<u>7,356</u>
Total capital assets, being depreciated	45,734	101	(17)	-	45,818
Less accumulated depreciation for:					
Land improvements	(2,460)	(44)	9	-	(2,495)
Buildings improvements and infrastructure	(13,773)	(954)	-	-	(14,727)
Machinery, equipment, and furnishings	<u>(6,421)</u>	<u>(267)</u>	<u>8</u>	<u>-</u>	<u>(6,680)</u>
Total accumulated depreciation	<u>(22,654)</u>	<u>(1,265)</u>	<u>17</u>	<u>-</u>	<u>(23,902)</u>
Total capital assets, being depreciated, net	23,080	(1,164)	-	-	21,916
Capital assets, not being depreciated:					
Land	3,276	-	-	-	3,276
Construction in progress (CIP)	<u>2,092</u>	<u>1,423</u>	<u>-</u>	<u>-</u>	<u>3,515</u>
Total capital assets, not being depreciated	<u>5,368</u>	<u>1,423</u>	<u>-</u>	<u>-</u>	<u>6,791</u>
Business-type activities capital assets, net	<u>\$ 28,448</u>	<u>\$ 259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,707</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 289
Public safety	521
Education	679
Public works	1,138
Planning, conservation and inspections	15
Community services	122
Library services	<u>33</u>
Total depreciation expense - governmental activities	<u>\$ 2,797</u>
Business-Type Activities:	
Sewer	\$ 595
Water	493
Landfill	12
Transportation	<u>165</u>
Total depreciation expense - business-type activities	<u>\$ 1,265</u>

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred

outflows of resources related to pensions in accordance with GASB Statement No. 68 are more formally discussed in the corresponding pension note.

11. Warrants Payable

Warrants payable represent 2018 expenditures paid by July 15, 2018.

12. Other Current Liabilities

This balance in the general fund consists primarily of prepaid real estate taxes, unclaimed checks (tailings), and an amount accrued for the Town's share of surcharge owed to the Internal Service fund.

The balance in non-major governmental funds consists primarily of Adult Education and Recreation revolving funds' revenue received in fiscal year 2018 for fiscal year 2019 programs.

13. Notes Payable

The Town had the following notes outstanding at June 30, 2018:

<u>Purpose</u>	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2018</u>
Bond anticipation	1.62%	04/05/18	04/05/19	\$ 1,195,000
Bond anticipation	1.79%	05/30/18	04/05/19	<u>2,625,000</u>
Total				<u>\$ 3,820,000</u>

The following summarizes activity in notes payable during fiscal year 2018:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	<u>\$ 1,607,000</u>	<u>\$ 3,820,000</u>	<u>\$ (1,607,000)</u>	<u>\$ 3,820,000</u>

14. Long-Term Debt

A. 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 are as follows:

<u>Governmental Activities:</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>June 30, 2018</u>
Bonds Payable:			
Crocker Farm School (refunding)	10/01/18	2.00 - 4.00	\$ 190,000
Multipurpose 2010	08/01/19	2.50 - 3.00	200,000
Title V (MWPAT)	08/01/19	-	10,420
Hawthorne property	11/01/20	2.00 - 3.75	150,000
Road paving	11/01/20	2.00 - 3.75	1,350,000
Multipurpose 2012	03/15/22	2.00 - 3.00	225,000
Central Fire Station repairs	10/01/22	2.00 - 3.00	92,000
Road paving	10/01/22	2.00 - 3.00	500,000
Multipurpose 2014	03/01/24	2.00 - 3.75	488,200
Multipurpose 2015	02/17/25	2.00 - 5.00	<u>1,350,000</u>
Total Governmental Activities			\$ <u>4,555,620</u>

<u>Business-Type Activities:</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>June 30, 2018</u>
Bond Payable:			
Parking garage (FY 10 refunding)	08/01/19	2.50 - 3.00	\$ 90,000
Harkness design (sewer)	03/15/22	2.00 - 3.00	40,000
Water treatment	03/15/32	2.00 - 3.00	2,800,000
Harkness construction (sewer)	10/01/32	2.00 - 3.00	3,033,000
Multipurpose 2014	03/01/34	2.00 - 3.75	<u>1,611,800</u>
Total Business-Type Activities			\$ <u>7,574,800</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term bonds outstanding as of June 30, 2018 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,391,810	\$ 124,054	\$ 1,515,864
2020	1,030,610	84,837	1,115,447
2021	925,400	51,770	977,170
2022	425,400	28,704	454,104
2023	375,400	15,604	391,004
2024 - 2025	<u>407,000</u>	<u>11,710</u>	<u>418,710</u>
Total	\$ <u>4,555,620</u>	\$ <u>316,679</u>	\$ <u>4,872,299</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 558,400	\$ 189,946	\$ 748,346
2020	564,600	173,937	738,537
2021	519,600	158,479	678,079
2022	519,600	146,021	665,621
2023	509,600	134,596	644,196
2024 - 2028	2,503,000	504,290	3,007,290
2029 - 2033	2,300,000	189,648	2,489,648
Thereafter	100,000	3,752	103,752
Total	\$ <u>7,574,800</u>	\$ <u>1,500,669</u>	\$ <u>9,075,469</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2018:

General fund	\$ 4,545,200
Special revenue fund	<u>10,420</u>
	\$ <u>4,555,620</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities (in thousands):

	Total Balance July 1, 2017 (restated)	Additions	Reductions	Total Balance June 30, 2018	Less Current Portion	Long-Term Portion June 30, 2018
<u>Governmental Activities</u>						
Bonds payable	\$ 6,069	\$ -	\$ (1,513)	\$ 4,556	\$ (1,392)	\$ 3,164
Net pension liability	52,713	-	(7,781)	44,932	-	44,932
Net OPEB liability	51,455	-	(2,601)	48,854	-	48,854
Other:						
Compensated absences	2,210	-	(5)	2,205	-	2,205
Capital lease	35	-	(35)	-	-	-
Subtotal Other	<u>2,245</u>	<u>-</u>	<u>(40)</u>	<u>2,205</u>	<u>-</u>	<u>2,205</u>
Totals	\$ <u>112,482</u>	\$ <u>-</u>	\$ <u>(11,935)</u>	\$ <u>100,547</u>	\$ <u>(1,392)</u>	\$ <u>99,155</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 8,137	\$ -	\$ (562)	\$ 7,575	\$ (559)	\$ 7,016
Net pension liability	6,329	-	(1,069)	5,260	-	5,260
Net OPEB liability	1,944	710	-	2,654	-	2,654
Other:						
Landfill liability	720	-	(40)	680	(40)	640
Compensated absences	185	16	-	201	-	201
Subtotal Other	<u>905</u>	<u>16</u>	<u>(40)</u>	<u>881</u>	<u>(40)</u>	<u>841</u>
Totals	\$ <u>17,315</u>	\$ <u>726</u>	\$ <u>(1,671)</u>	\$ <u>16,370</u>	\$ <u>(599)</u>	\$ <u>15,771</u>

15. Landfill Closure and Post-Closure Care Costs

State and Federal laws and regulations require the Town perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$680,000 reported as landfill postclosure care liability at June 30, 2018 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2018. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

16. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

17. Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 2,961,747	\$ 4,899,767
Ambulance receipt reserved fund	-	2,636,620
Nonmajor funds:		
Special revenue funds	226,875	1,275,571
Capital project funds	<u>3,723,770</u>	<u>100,434</u>
Subtotal Nonmajor Funds	<u>3,950,645</u>	<u>1,376,005</u>
Subtotal Governmental Funds	6,912,392	8,912,392
<u>Proprietary Funds:</u>		
Internal service fund	<u>2,000,000</u>	<u>-</u>
Subtotal Proprietary Funds	<u>2,000,000</u>	<u>-</u>
Grand Total	<u>\$ 8,912,392</u>	<u>\$ 8,912,392</u>

18. Governmental Funds – Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2018:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue funds and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance includes various special revenue funds set aside by Town Meeting and the balance of capital project funds funded by general fund appropriation.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period and surplus set aside to be used in the subsequent year's budget.

Unassigned - Represents amounts that are available to be spent in future periods, general stabilization fund, and deficit funds.

Following is a breakdown of the Town's fund balances at June 30, 2018:

	General Fund	Ambulance Receipt Reserved	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 339,719	\$ 339,719
Total Nonexpendable	-	-	339,719	339,719
Restricted				
Special revenue funds	-	3,388,669	2,607,450	5,996,119
Expendable permanent funds	-	-	174,107	174,107
Total Restricted	-	3,388,669	2,781,557	6,170,226
Committed				
Town set-asides	-	-	47,061	47,061
Community preservation fund	-	-	790,295	790,295
Capital project funded by general fund appropriation	-	-	4,393,162	4,393,162
Total Committed	-	-	5,230,518	5,230,518
Assigned				
Encumbrances	401,936	-	-	401,936
Reserved for expenditures	375,000	-	-	375,000
Total Assigned	776,936	-	-	776,936
Unassigned				
General fund	4,158,652	-	-	4,158,652
General stabilization fund	9,416,997	-	-	9,416,997
Deficit funds	-	-	(611,679)	(611,679)
Total Unassigned	13,575,649	-	(611,679)	12,963,970
Total Fund Balance	\$ 14,352,585	\$ 3,388,669	\$ 7,740,115	\$ 25,481,369

19. Hampshire County Retirement System

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

A. Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Hampshire Contributory Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System's Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the

System's annual financial reports publicly available from the System located at 99 Industrial Avenue Northampton, MA 01060.

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

If a participant was a member prior to April 1, 2012, a retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4, have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Participants Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2018 was \$5,761,136, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

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 System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee

contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

At June 30, 2018, the Town reported a liability of approximately \$50 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. 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 employers, actuarially determined. At June 30, 2018, the Town's proportion was 27.01 percent.

For the year ended June 30, 2018, the Town recognized pension expense of approximately \$6.1 million. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 814
Net difference between projected and actual pension investment earnings	-	2,133
Changes of assumptions	2,727	2,302
Changes in proportion and differences between contributions and proportionate share of contributions	<u>170</u>	<u>-</u>
Total	<u>\$ 2,897</u>	<u>\$ 5,249</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30:	
2019	\$ (581)
2020	(181)
2021	1,001
2022	1,505
2023	339
Thereafter	<u>269</u>
Total	<u>\$ 2,352</u>

D. Actuarial Assumptions

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	4.25 - 4.75%
Investment rate of return	7.45%

Mortality rates were based on the RP2000 Table, projected with scale BB with base year of 2009.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period ending December 31, 2017.

Assumption Changes

The long-term rate of return was decreased from 7.5% to 7.45%, resulting in an increase to the System's total unfunded actuarial accrued liability of approximately \$2.7 million. All other actuarial assumptions and methods remained the same from the prior measurement date.

E. Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	20.50%	4.82%
International Equity	16.50%	5.00%
Emerging Markets Equity	8.00%	6.50%
Domestic Fixed Income	10.00%	1.00%
Emerging Fixed Income	6.00%	3.75%
Global Fixed Income	3.00%	-0.25%
Opportunistic Fixed Income	9.00%	2.75%
Private Debt	3.00%	4.75%
Private Equity	10.00%	6.75%
Real Estate	12.00%	3.75%
Cash	2.00%	0.00%
Total	<u>100.00%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive 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.

G. Sensitivity of the Proportionate Share 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 7.45% percent, 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 or 1 percentage-point higher than the current rate (in thousands):

1% Decrease	Current Discount Rate	1% Increase
<u>(6.45%)</u>	<u>(7.45%)</u>	<u>(8.45%)</u>
\$65,861	\$50,192	\$36,940

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

20. Massachusetts Teachers' Retirement System (MTRS)

A. Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

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

B. Benefits Provided

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

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

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

C. Contributions

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

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

D. Actuarial Assumptions

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

- (a) 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 White Collar Employee table projected generationally with Scale MP-2016 (gender distinct).

- Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
- Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	40.0%	5.0%
Portfolio completion strategies	13.0%	3.6%
Core fixed income	12.0%	1.1%
Private equity	11.0%	6.6%
Real estate	10.0%	3.6%
Value added fixed income	10.0%	3.8%
Timber/natural resources	4.0%	3.2%
Hedge funds	0.0%	3.6%
Total	<u>100.0%</u>	

E. Discount Rate

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

F. Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS

collective net pension liability assuming it was calculated using a single discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate (in thousands):

1% Decrease to <u>6.5%</u>	Current Discount Rate <u>7.5%</u>	1% Increase to <u>8.5%</u>
\$28,424,300	\$22,885,391	\$18,193,400

G. Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

H. Town Proportions

In fiscal year 2017 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$40 million based on a proportionate share of 0.18%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$2.2 million as both a revenue and expenditure in general fund, and its portion of the collective pension expense of approximately \$4.3 million as both a revenue and expense in the governmental activities.

21. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2013, the Town established an OPEB Trust Fund to provide funding for future employee health care costs.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This

Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2018.

A. General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through Blue Cross and Blue Shield of Massachusetts and Harvard Pilgrim. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

The Town provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

Plan Membership

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	492
Active employees	<u>576</u>
Total	<u>1,068</u>

B. Investments

The OPEB trust fund assets are invested in the State investment pool (PRIT).

Rate of return. For the year ended June 2018, the annual money-weighted rate of return on investments, net of investment expense, was not available. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	unavailable
Salary increases	unavailable
Investment rate of return	7.5%, net of OPEB plan investment expense
Municipal bond rate	not applicable
Discount rate	7.5%
Healthcare cost trend rates	5%, decreasing to an ultimate rate of 4.5% as of 2019 and later years
Retirees' share of benefit-related costs	20% – 50%

Mortality rates were based on RP-2014 Blue Collar Mortality table with Scale MP-2015, fully generational.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of July 1, 2018.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term expected real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap equities	14.50%	7.50%
Small/Mid cap equities	3.50%	7.75%
International equities	16.00%	7.80%
Emerging international equities	6.00%	9.30%
Core bonds	5.00%	3.75%
20+ yr. Treasury STRIPS	2.00%	3.50%
TIPS	5.00%	3.75%
High-yield bonds	1.50%	5.50%
Bank loans	2.50%	5.50%
EMD (External)	1.00%	5.00%
EMD (Local currency)	0.00%	6.50%
Distressed debt	3.00%	8.80%
Other credit opportunities	2.00%	6.50%
Private equity	11.00%	9.50%
Real estate	10.00%	6.70%
Timberland	4.00%	6.25%
Hedge funds & Portfolio completion	13.00%	6.40%
Total	<u>100.00%</u>	

D. Discount Rate

The discount rate used to measure the net OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

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.

E. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2018, were as follows (in thousands):

Total OPEB liability	\$ 56,476
Plan fiduciary net position	<u>(4,969)</u>
Net OPEB liability	<u>\$ 51,507</u>
Plan fiduciary net position as a percentage of the total OPEB liability	8.80%

F. Changes in the Net OPEB Liability

The following presents the changes in the net OPEB liability for fiscal year 2018 (in thousands):

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 57,290	\$ 3,891	\$ 53,399
Changes for the year:			
Service cost	1,282	-	1,282
Interest	4,439	-	4,439
Contributions - employer	-	3,108	(3,108)
Net investment income	-	422	(422)
Differences between expected and actual experience	(3,891)	-	(3,891)
Benefit payments	<u>(2,644)</u>	<u>(2,452)</u>	<u>(192)</u>
Net Changes	<u>(814)</u>	<u>1,078</u>	<u>(1,892)</u>
Balances, end of year	<u>\$ 56,476</u>	<u>\$ 4,969</u>	<u>\$ 51,507</u>

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate (in thousands):

1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
\$59,296	\$51,507	\$45,132

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

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

	Current Healthcare Cost Trend	
1% Decrease	Rates	1% Increase
<u>(4.0%)</u>	<u>(5.0%)</u>	<u>(6.0%)</u>
\$44,557	\$51,507	\$60,109

I. OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized an OPEB expense of approximately \$4.6 million. At June 30, 2018, the Town reported deferred inflows of resources related to OPEB of approximately \$3.2 million from the difference between expected and actual experience.

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

<u>Year ended June 30:</u>	
2019	\$ 595
2020	595
2021	595
2022	595
2023	595
2024	<u>236</u>
Total	<u>\$ 3,211</u>

22. Self-Insurance

The Town self-insures against claims for workers compensation, unemployment and most employee health coverage. Annual estimated requirements for claims are provided in the Town's annual operating budget. If the fund were to experience a deficit position, the Town would be required to raise the deficit in the subsequent year.

The Town's health insurance internal service fund has experienced deficit operations over the past few years, and as a result, fiscal year 2018 is the Town's last year operating an internal service fund. At the May 2018 Town Meeting, the Town voted to transfer \$2 million from general fund free cash to the internal service fund. The appropriation will be reimbursed to the general fund via a temporary health insurance premium surcharge to employees and employers until such time the appropriation has been reimbursed.

Workers Compensation

The Town contracts with an insurance consultant for claims processing of the Town's workers compensation policy and, for cost benefit purposes, has not contracted for excess liability coverage. The Town estimates that there are no material claims outstanding at year end. Accordingly, no accrued claims liability is reported.

Health Insurance

The Town contracts with an insurance consultant for claims processing and for excess liability coverage. Under the terms of its insurance coverage, the Town is liable for costs incurred up to \$250,000 per covered individual, with an unlimited maximum per person lifetime coverage. The claims liability represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year end.

Changes in the aggregate liability for claims for the year ended June 30, 2018 are as follows:

Claims liability, July 1, 2017	\$	861,806
Claims incurred/recognized in fiscal year 2018		17,485,896
Claims paid in fiscal year 2018		<u>(17,416,206)</u>
Claims liability, June 30, 2018	\$	<u>931,496</u>

Segment Information

Segment information for the internal service funds for the year ended June 30, 2018 is as follows:

	<u>Health</u>	<u>Workers</u>	<u>Total</u>
	<u>Insurance</u>	<u>Compensation</u>	
Cash	\$ 328,537	\$ 261,281	\$ 589,818
Total assets	2,045,220	261,281	2,306,501
Warrants payable	46,498	-	46,498
Claims liability	931,496	-	931,496
Total equity	1,067,226	261,281	1,328,507
Operating revenue	16,742,727	103,222	16,845,949
Operating expense	19,353,742	38,602	19,392,344
Transfer in	2,000,000	-	2,000,000
Change in net position	(547,465)	64,620	(482,845)

23. Commitments and Contingencies

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

24. Beginning Net Position Restatement

The beginning (July 1, 2017) net position of the Town has been restated as follows:

<u>Government-Wide Financial Statements</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>				<u>Total</u>
		<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Landfill Fund</u>	<u>Transportation Fund</u>	
As previously reported	\$ (36,079,516)	\$ 7,667,038	\$ 10,120,152	\$ (746,120)	\$ 3,067,121	\$ 20,108,191
Implementation fo GASB 75 OPEB	<u>(13,764,530)</u>	<u>(251,260)</u>	<u>(109,196)</u>	<u>(113,578)</u>	<u>(46,016)</u>	<u>(520,050)</u>
As restated	<u>\$ (49,844,046)</u>	<u>\$ 7,415,778</u>	<u>\$ 10,010,956</u>	<u>\$ (859,698)</u>	<u>\$ 3,021,105</u>	<u>\$ 19,588,141</u>

TOWN OF AMHERST, MASSACHUSETTS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (GASB 68)

JUNE 30, 2018

(Unaudited)

(Amounts expressed in thousands)

Hampshire County Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2018	December 31, 2017	27.01%	\$50,192	\$21,048	238.46%	63.12%
June 30, 2017	December 31, 2016	26.86%	\$59,042	\$21,008	281.05%	55.60%
June 30, 2016	December 31, 2015	27.15%	\$56,375	\$21,517	262.00%	55.29%
June 30, 2015	December 31, 2014	26.94%	\$50,251	\$20,520	244.89%	58.07%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2018	June 30, 2017	0.18%	-	\$40,123	\$40,123	\$11,905	-	54.25%
June 30, 2017	June 30, 2016	0.18%	-	\$40,118	\$40,118	\$11,803	-	52.73%
June 30, 2016	June 30, 2015	0.17%	-	\$35,761	\$35,761	\$11,063	-	55.38%
June 30, 2015	June 30, 2014	0.17%	-	\$27,702	\$27,702	\$10,685	-	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF AMHERST, MASSACHUSETTS
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2018

(Unaudited)

(Amounts expressed in thousands)

Hampshire County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	December 31, 2017	\$5,761	\$5,761	\$0	\$21,048	27.37%
June 30, 2017	December 31, 2016	\$5,290	\$5,290	\$0	\$21,008	25.18%
June 30, 2016	December 31, 2015	\$5,056	\$5,056	\$0	\$21,517	23.50%
June 30, 2015	December 31, 2014	\$4,696	\$4,696	\$0	\$20,520	22.88%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	June 30, 2017	\$2,166	\$2,166	\$0	\$11,905	18.19%
June 30, 2017	June 30, 2016	\$2,018	\$2,018	\$0	\$11,803	17.10%
June 30, 2016	June 30, 2015	\$1,784	\$1,784	\$0	\$11,063	16.13%
June 30, 2015	June 30, 2014	\$1,634	\$1,634	\$0	\$10,685	15.29%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF AMHERST, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (GASB 74 AND 75)

(Unaudited)

(Amounts expressed in thousands)

	For the year ended June 30,	
	2018	2017
Total OPEB liability		
Service cost	\$ 1,282	\$ 1,318
Interest on unfunded liability - time value of \$	4,439	4,204
Differences between expected and actual experience	(3,891)	-
Benefit payments	(2,644)	(2,261)
Net change in total OPEB liability	(814)	3,261
Total OPEB liability - beginning	57,290	54,029
Total OPEB liability - ending (a)	\$ 56,476	\$ 57,290
 Plan fiduciary net position		
Contributions - employer	\$ 3,108	\$ 2,922
Net investment income	422	419
Benefit payments	(2,452)	(2,261)
Net change in plan fiduciary net position	1,078	1,080
Plan fiduciary net position - beginning	3,891	2,811
Plan fiduciary net position - ending (b)	\$ 4,969	\$ 3,891
 Net OPEB liability (asset) - ending (a-b)	\$ 51,507	\$ 53,399

*Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.*

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

TOWN OF AMHERST, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS,
AND INVESTMENT RETURNS (GASB 74 AND 75)

(Unaudited)

(Amounts expressed in thousands)

	For the year ended June 30,	
	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability		
Total OPEB liability	\$ 56,476	\$ 57,290
Plan fiduciary net position	<u>(4,969)</u>	<u>(3,891)</u>
Net OPEB liability (asset)	<u>\$ 51,507</u>	<u>\$ 53,399</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 8.80%	 6.79%
 Schedule of Contributions	 <u>2018</u>	 <u>2017</u>
Actuarially determined contribution	\$ 4,620	\$ 5,244
Contributions in relation to the actuarially determined contribution	<u>(3,108)</u>	<u>(2,922)</u>
Contribution deficiency (excess)	<u>\$ 1,512</u>	<u>\$ 2,322</u>
 Schedule of Investment Returns	 <u>2018</u>	 <u>2017</u>
Annual money weighted rate of return, net of investment expense	unavailable	unavailable

*Schedules are intended to show information for 10 years.
Additional years will be displayed as they become available.*

See notes to Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.