

TOWN OF FAIRHAVEN, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2018

Town of Fairhaven, Massachusetts

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	18
Proprietary Funds:	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Fund Net Position	20
Statement of Cash Flows	21
Fiduciary Funds:	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to Financial Statements	24

REQUIRED SUPPLEMENTARY INFORMATION:

Pension:

Schedule of Proportionate Share of the Net Pension Liability (GASB 68)	61
Schedule of Pension Contributions (GASB 68)	62

OPEB:

Schedule of Changes in Net OPEB Liability (GASB 74 and 75)	63
Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74 and 75)	64

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Fairhaven, Massachusetts

Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

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 Fairhaven, Massachusetts, as of and for the year ended June 30, 2018, (except for the Fairhaven Contributory Retirement System, which is as of and for the year ended December 31, 2017) 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 Fairhaven, Massachusetts, as of June 30, 2018, (except for the Fairhaven Contributory Retirement System, which is as of and for the year ended December 31, 2017) and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Pension and OPEB schedules appearing on pages 61 to 64 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 Information

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019 on our consideration of the Town'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

March 25, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Fairhaven, Massachusetts, we offer readers this narrative overview and analysis of the Town's financial activities 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 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 of resources 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, human services, and culture and recreation. The business-type activities include sewer, and water 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 Town'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 establish fees and charges designed to recover its costs, including capital costs such as depreciation or 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 and water operations, which are considered to be major funds.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for self-insured employee health and dental 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 assets and deferred outflows exceeded liabilities and deferred inflows by \$90,518,758 (i.e., net position), a change of \$5,366,080 in comparison to the prior year.
- At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$26,101,686, a change of \$2,875,446 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,359,151, a change of \$1,883,794 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.

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 36,884	\$ 31,473	\$ 10,264	\$ 6,039	\$ 47,148	\$ 37,512
Capital assets	<u>95,984</u>	<u>99,959</u>	<u>31,738</u>	<u>32,225</u>	<u>127,722</u>	<u>132,184</u>
Total assets	132,868	131,432	42,002	38,264	174,870	169,696
Deferred outflows of resources	3,757	4,361	576	656	4,333	5,017
Current liabilities	4,827	5,457	2,796	516	7,623	5,973
Noncurrent liabilities	<u>55,747</u>	<u>49,073</u>	<u>5,741</u>	<u>7,292</u>	<u>61,488</u>	<u>56,365</u>
Total liabilities	60,574	54,530	8,537	7,808	69,111	62,338
Deferred inflows of resources	18,447	532	1,127	98	19,574	630
Net position:						
Net investment in capital assets	86,539	86,126	27,339	27,435	113,878	113,561
Restricted	8,682	8,852	-	-	8,682	8,852
Unrestricted	<u>(37,617)</u>	<u>(14,247)</u>	<u>5,575</u>	<u>3,579</u>	<u>(32,042)</u>	<u>(10,668)</u>
Total net position	<u>\$ 57,604</u>	<u>\$ 80,731</u>	<u>\$ 32,914</u>	<u>\$ 31,014</u>	<u>\$ 90,518</u>	<u>\$ 111,745</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 \$90,518,758, a change of \$5,366,080 from the prior year.

The largest portion of net position \$113,877,558 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), 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 \$8,682,584 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(32,041,384), resulting from unfunded net pension and OPEB liabilities (see Notes 24 and 26).

	<u>CHANGES IN NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</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	\$ 5,976	\$ 5,399	\$ 8,528	\$ 6,693	\$ 14,504	\$ 12,092
Operating grants and contributions	17,037	15,601	-	-	17,037	15,601
Capital grants and contributions	460	450	-	-	460	450
General revenues:						
Property taxes	28,001	27,657	-	-	28,001	27,657
Excises	2,220	1,935	-	-	2,220	1,935
Penalties, interest and other taxes	466	318	-	-	466	318
Grants and contributions not restricted to specific programs	3,293	3,105	-	-	3,293	3,105
Investment income	17	87	(4)	-	13	87
Miscellaneous	436	131	-	-	436	131
Total revenues	<u>57,906</u>	<u>54,683</u>	<u>8,524</u>	<u>6,693</u>	<u>66,430</u>	<u>61,376</u>
Expenses:						
General government	4,340	4,561	-	-	4,340	4,561
Public safety	9,507	9,975	-	-	9,507	9,975
Education	32,533	33,810	-	-	32,533	33,810
Public works	3,694	3,931	-	-	3,694	3,931
Human services	2,060	1,965	-	-	2,060	1,965
Culture and recreation	1,375	1,234	-	-	1,375	1,234
Interest on long-term debt	308	352	-	-	308	352
Intergovernmental	435	437	-	-	435	437
Sewer	-	-	4,169	4,023	4,169	4,023
Water	-	-	2,644	2,718	2,644	2,718
Total expenses	<u>54,252</u>	<u>56,265</u>	<u>6,813</u>	<u>6,741</u>	<u>61,065</u>	<u>63,006</u>

(continued)

(continued)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Change in net position before transfers	3,654	(1,582)	1,711	(48)	5,365	(1,630)
Transfers in (out)	<u>(19)</u>	<u>(17)</u>	<u>19</u>	<u>17</u>	<u>-</u>	<u>-</u>
Change in net position	3,635	(1,599)	1,730	(31)	5,365	(1,630)
* Net position - beginning of year (as restated)	<u>53,969</u>	<u>82,330</u>	<u>31,184</u>	<u>31,045</u>	<u>85,153</u>	<u>113,375</u>
Net position - end of year	<u>\$ 57,604</u>	<u>\$ 80,731</u>	<u>\$ 32,914</u>	<u>\$ 31,014</u>	<u>\$ 90,518</u>	<u>\$ 111,745</u>

* Restated from the prior year as described in Note 32.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$3,635,513. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 3,045,150
Nonmajor governmental funds operations	(169,704)
Internal service fund operations	(399,080)
Depreciation expense in excess of debt service principal paydown	(2,587,460)
Change in long-term liabilities	19,186,234
Change in net pension liability related deferred outflows and inflows of resources	(14,864,303)
Change in net OPEB liability related deferred outflows and inflows of resources	(3,654,000)
Other	<u>3,078,676</u>
Total	<u>\$ 3,635,513</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$1,730,567. Key elements of this change are as follows:

Sewer fund operations	\$ 1,500,224
Water operations	<u>230,343</u>
Total	<u>\$ 1,730,567</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 \$26,101,686, a change of \$2,875,446 in comparison to the prior year. Key elements of this change are as follows:

General fund change in fund balance	\$ 3,045,150
Nonmajor governmental funds change in fund balance	<u>(169,704)</u>
Total	<u>\$ 2,875,446</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 \$10,359,151 while total fund balance was \$17,365,425. 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>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance ⁽¹⁾	\$ 10,359,151	\$ 8,475,357	\$ 1,883,794	21.9%
Total fund balance	\$ 17,365,425	\$ 14,320,275	\$ 3,045,150	36.8%

⁽¹⁾ Includes general stabilization fund.

The total fund balance of the general fund changed by \$3,045,150 during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (3,531,605)
Revenues in excess of budget	2,413,096
Expenditures less than budget	1,656,349
Change in stabilization	2,070,856
Other	<u>436,454</u>
Total	<u>\$ 3,045,150</u>

Included in the total general fund balance are the Town's stabilization accounts with the following balances:

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
General stabilization	\$ 2,951,046	\$ 3,007,613	\$ (56,567)
Ambulance stabilization	52,405	102,200	(49,795)
Capital stabilization	2,312,164	521,500	1,790,664
Special education reserve stabilization	<u>386,554</u>	<u>-</u>	<u>386,554</u>
Total	<u>\$ 5,702,169</u>	<u>\$ 3,631,313</u>	<u>\$ 2,070,856</u>

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 \$5,575,569 a change of \$1,996,285 in comparison to the prior year.

Unrestricted net position of the internal service fund at the end of the year amounted to \$1,835,420 a change of \$(399,080) in comparison to the 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

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$91,152. Major reasons for these amendments include:

- \$57,600 to fund various department salaries and wages.
- \$24,169 to fund various department operating expenses.
- \$9,383 to fund the payment of various prior year bills.

Of this increase, \$91,152 was funded from free cash.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$127,721,759 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and system, improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included improvements to various Town buildings, road infrastructure improvements, water and wastewater infrastructure improvements, and the purchase of various public safety vehicles.

Credit rating. The Town of Fairhaven maintains an “Aa2” credit rating from Moody’s Investors Service for general obligation debt.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$12,145,095 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 Financial Statements.

REQUESTS FOR INFORMATION

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

Finance Director/Treasurer/Collector
Town of Fairhaven
40 Center Street
Fairhaven, Massachusetts 02719

TOWN OF FAIRHAVEN, 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	\$ 21,514,710	\$ 6,112,947	\$ 27,627,657
Investments	8,711,068	333,915	9,044,983
Receivables, net of allowance for uncollectibles:			
Property taxes	557,344	-	557,344
Excises	194,644	-	194,644
User fees	12,621	486,781	499,402
Departmental and other	410,223	-	410,223
Special assessments	1,191	204,595	205,786
Intergovernmental	78,775	1,679,533	1,758,308
Notes receivable	970,294	-	970,294
Deposits held by others	904,600	-	904,600
Other assets	449	-	449
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	1,133,140	-	1,133,140
User fees	-	272,659	272,659
Special assessments	11,571	1,172,706	1,184,277
Intergovernmental	2,383,541	-	2,383,541
Capital assets:			
Land and construction in progress	22,542,323	5,132,519	27,674,842
Other capital assets, net of accumulated depreciation	73,441,253	26,605,664	100,046,917
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	3,748,000	576,000	4,324,000
Related to OPEB	9,324	348	9,672
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	136,625,071	42,577,667	179,202,738
LIABILITIES			
Current:			
Warrants and accounts payable	2,025,245	671,294	2,696,539
Accrued liabilities	1,149,844	57,107	1,206,951
Notes payable	-	1,700,000	1,700,000
Tax refunds payable	84,287	-	84,287
Other current liabilities	458,947	10,429	469,376
Current portion of long-term liabilities:			
Bonds payable	855,714	334,900	1,190,614
Other	252,657	21,858	274,515
Noncurrent:			
Bonds payable, net of current portion	8,589,000	2,365,481	10,954,481
Net pension liability	14,916,000	2,037,000	16,953,000
Net OPEB liability	30,590,638	1,141,564	31,732,202
Other, net of current portion	1,651,619	196,723	1,848,342
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	3,573,000	572,000	4,145,000
Related to OPEB	14,873,627	555,046	15,428,673
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	79,020,578	9,663,402	88,683,980
NET POSITION			
Net investment in capital assets	86,538,862	27,338,696	113,877,558
Restricted for:			
Grants and other statutory restrictions	5,641,489	-	5,641,489
Permanent funds:			
Nonexpendable	2,645,413	-	2,645,413
Expendable	395,682	-	395,682
Unrestricted	(37,616,953)	5,575,569	(32,041,384)
TOTAL NET POSITION	\$ 57,604,493	\$ 32,914,265	\$ 90,518,758

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 4,340,038	\$ 662,592	\$ 1,749,841	\$ 433	\$ (1,927,172)	\$ -	\$ (1,927,172)
Public safety	9,506,858	1,711,811	237,277	-	(7,557,770)	-	(7,557,770)
Education	32,532,775	3,256,609	14,091,223	-	(15,184,943)	-	(15,184,943)
Public works	3,693,868	92,328	3,811	459,751	(3,137,978)	-	(3,137,978)
Human services	2,059,909	300	940,883	-	(1,118,726)	-	(1,118,726)
Culture and recreation	1,375,248	252,458	13,706	-	(1,109,084)	-	(1,109,084)
Interest on long-term debt	307,867	-	-	-	(307,867)	-	(307,867)
Intergovernmental	434,872	-	-	-	(434,872)	-	(434,872)
Total Governmental Activities	54,251,435	5,976,098	17,036,741	460,184	(30,778,412)	-	(30,778,412)
Business-Type Activities:							
Sewer	4,169,223	5,655,519	-	-	-	1,486,296	1,486,296
Water	2,643,696	2,872,040	-	-	-	228,344	228,344
Total Business-Type Activities	6,812,919	8,527,559	-	-	-	1,714,640	1,714,640
Total	\$ 61,064,354	\$ 14,503,657	\$ 17,036,741	\$ 460,184	(30,778,412)	1,714,640	(29,063,772)
General Revenues and Transfers:							
Property taxes					28,001,030	-	28,001,030
Excises					2,219,531	-	2,219,531
Penalties, interest and other taxes					466,074	-	466,074
Grants and contributions not restricted to specific programs					3,292,663	-	3,292,663
Investment income					17,114	(2,905)	14,209
Miscellaneous					436,345	-	436,345
Transfers, net					(18,832)	18,832	-
Total general revenues and transfers					34,413,925	15,927	34,429,852
Change in Net Position					3,635,513	1,730,567	5,366,080
Net Position:							
Beginning of year, as restated					53,968,980	31,183,698	85,152,678
End of year					\$ 57,604,493	\$ 32,914,265	\$ 90,518,758

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and short-term investments	\$ 13,858,508	\$ 5,972,056	\$ 19,830,564
Investments	5,675,422	3,035,646	8,711,068
Receivables:			
Property taxes	1,877,324	17,634	1,894,958
Excises	316,724	-	316,724
User fees	-	16,833	16,833
Departmental and other	-	410,221	410,221
Special assessments	-	12,762	12,762
Intergovernmental	78,775	2,383,541	2,462,316
Notes receivable	-	970,294	970,294
Other assets	451	-	451
TOTAL ASSETS	\$ 21,807,204	\$ 12,818,987	\$ 34,626,191
LIABILITIES			
Warrants payable	\$ 1,757,342	\$ 267,902	\$ 2,025,244
Accrued liabilities	335,353	8,628	343,981
Other liabilities	458,947	-	458,947
TOTAL LIABILITIES	2,551,642	276,530	2,828,172
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	1,890,137	3,806,196	5,696,333
FUND BALANCES			
Nonspendable	-	2,645,413	2,645,413
Restricted	-	6,341,330	6,341,330
Committed	4,034,260	-	4,034,260
Assigned	2,972,014	-	2,972,014
Unassigned	10,359,151	(250,482)	10,108,669
TOTAL FUND BALANCES	17,365,425	8,736,261	26,101,686
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 21,807,204	\$ 12,818,987	\$ 34,626,191

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

TOWN OF FAIRHAVEN, 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	\$ 26,101,686
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	95,983,576
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	5,365,568
• Internal service funds are used by management to account for health and dental insurance activities. The assets and liabilities of the internal service funds are included with governmental activities in the Statement of Net Assets.	1,835,420
• Long-term liabilities, including bonds payable, net pension liability, net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(56,855,628)
• Other	<u>(14,826,129)</u>
Net position of governmental activities	<u>\$ 57,604,493</u>

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 27,783,498	\$ 378,894	\$ 28,162,392
Excises	2,150,519	-	2,150,519
Penalties, interest and other taxes	463,327	2,747	466,074
Charges for services	3,362,775	2,110,891	5,473,666
Licenses and permits	530,450	-	530,450
Intergovernmental	13,978,303	3,812,136	17,790,439
Fines and forfeitures	1,218	-	1,218
Investment income	32,002	212,540	244,542
Contributions	-	281,530	281,530
Miscellaneous	523,383	140,067	663,450
	<u>48,825,475</u>	<u>6,938,805</u>	<u>55,764,280</u>
Total Revenues			
Expenditures:			
Current:			
General government	2,641,828	2,210,422	4,852,250
Public safety	6,796,318	222,614	7,018,932
Education	24,351,846	2,400,758	26,752,604
Public works	2,511,514	193,707	2,705,221
Human services	1,595,115	284,094	1,879,209
Culture and recreation	1,159,676	11,378	1,171,054
Employee benefits	6,541,652	287,971	6,829,623
Debt service	1,171,676	-	1,171,676
Intergovernmental	434,872	-	434,872
Capital outlay	8,078	46,483	54,561
	<u>47,212,575</u>	<u>5,657,427</u>	<u>52,870,002</u>
Total Expenditures			
Excess of revenues over expenditures	1,612,900	1,281,378	2,894,278
Other Financing Sources (Uses):			
Transfers in	1,471,225	21,396	1,492,621
Transfers out	(38,975)	(1,472,478)	(1,511,453)
	<u>1,432,250</u>	<u>(1,451,082)</u>	<u>(18,832)</u>
Total Other Financing Sources (Uses)			
Change in fund balance	3,045,150	(169,704)	2,875,446
Fund Balance, at Beginning of Year	<u>14,320,275</u>	<u>8,905,965</u>	<u>23,226,240</u>
Fund Balance, at End of Year	<u>\$ 17,365,425</u>	<u>\$ 8,736,261</u>	<u>\$ 26,101,686</u>

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

TOWN OF FAIRHAVEN, 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	\$ 2,875,446																		
<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 border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay</td> <td style="text-align: right;">3,000,385</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(3,448,174)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds) 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 border="0" style="margin-left: 40px;"> <tr> <td>Repayments of debt</td> <td style="text-align: right;">860,714</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 net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">76,701</td> </tr> </table> • Internal service funds are used by management to account for health and dental insurance activities. The net activity of internal service funds is reported with governmental activities in the Statement of Net Position. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(399,080)</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 border="0" style="margin-left: 40px;"> <tr> <td>Net pension liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">300,000</td> </tr> <tr> <td>Net OPEB liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">671,075</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">3,095</td> </tr> </table> • Other differences <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>(304,649)</u></td> </tr> </table> 		Capital outlay	3,000,385	Depreciation	(3,448,174)	Repayments of debt	860,714		76,701		(399,080)	Net pension liability and related deferred outflows and inflows of resources	300,000	Net OPEB liability and related deferred outflows and inflows of resources	671,075	Other	3,095		<u>(304,649)</u>
Capital outlay	3,000,385																		
Depreciation	(3,448,174)																		
Repayments of debt	860,714																		
	76,701																		
	(399,080)																		
Net pension liability and related deferred outflows and inflows of resources	300,000																		
Net OPEB liability and related deferred outflows and inflows of resources	671,075																		
Other	3,095																		
	<u>(304,649)</u>																		
Change in net position of governmental activities	\$ <u><u>3,635,513</u></u>																		

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and Other Sources:				
Property taxes	\$ 27,350,491	\$ 27,350,491	\$ 27,350,491	\$ -
Excises	1,650,000	1,650,000	2,129,123	479,123
Penalties, interest and other taxes	475,000	475,000	463,327	(11,673)
Charges for services	3,694,000	3,694,000	4,355,293	661,293
Licenses and permits	450,000	450,000	530,450	80,450
Intergovernmental	11,212,388	11,212,388	11,765,262	552,874
Fines and forfeitures	5,000	5,000	1,218	(3,782)
Investment income	13,000	13,000	98,782	85,782
Miscellaneous	-	-	283,008	283,008
Transfers in	2,516,457	2,516,457	2,802,478	286,021
Use of free cash	3,140,453	3,231,605	3,231,605	-
Use of overlay surplus	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total Revenues and Other Sources	50,806,789	50,897,941	53,311,037	2,413,096
Expenditures and Other Uses:				
General government	3,504,258	3,490,565	3,088,189	402,376
Public safety	7,069,296	7,142,696	7,072,515	70,181
Education	22,005,696	22,006,802	21,705,448	301,354
Public works	2,940,355	2,942,355	2,817,995	124,360
Human services	1,845,169	1,852,314	1,578,392	273,922
Culture and recreation	1,202,829	1,218,195	1,160,547	57,648
Employee benefits	8,194,015	8,194,015	7,801,339	392,676
Debt service	1,247,337	1,243,782	1,189,255	54,527
Intergovernmental	411,381	411,381	434,872	(23,491)
Capital outlay	-	9,383	6,587	2,796
Transfers out	<u>2,386,453</u>	<u>2,386,453</u>	<u>2,386,453</u>	<u>-</u>
Total Expenditures and Other Uses	<u>50,806,789</u>	<u>50,897,941</u>	<u>49,241,592</u>	<u>1,656,349</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,069,445</u>	\$ <u>4,069,445</u>

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
ASSETS				
Current:				
Cash and short-term investments	\$ 3,769,716	\$ 2,343,231	\$ 6,112,947	\$ 1,684,146
Investments	333,915	-	333,915	-
Deposits held by others	-	-	-	904,600
Receivables, net of allowance for uncollectibles:				
User fees	274,215	212,566	486,781	-
Special assessments	204,595	-	204,595	-
Intergovernmental	<u>1,679,533</u>	<u>-</u>	<u>1,679,533</u>	<u>-</u>
Total current assets	6,261,974	2,555,797	8,817,771	2,588,746
Noncurrent:				
Receivables, net of allowance for uncollectibles:				
User fees	156,355	116,304	272,659	-
Special assessments	1,172,706	-	1,172,706	-
Capital assets:				
Land and construction in progress	4,369,365	763,154	5,132,519	-
Other capital assets, net of accumulated depreciation	<u>23,203,334</u>	<u>3,402,330</u>	<u>26,605,664</u>	<u>-</u>
Total noncurrent assets	28,901,760	4,281,788	33,183,548	-
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	335,000	241,000	576,000	-
Related to OPEB	<u>129</u>	<u>219</u>	<u>348</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	35,498,863	7,078,804	42,577,667	2,588,746
LIABILITIES				
Current:				
Accounts payable	621,183	50,111	671,294	459,717
Accrued liabilities	36,196	20,911	57,107	293,609
Notes payable	1,700,000	-	1,700,000	-
Other current liabilities	9,946	483	10,429	-
Current portion of long-term liabilities:				
Bonds payable	288,012	46,888	334,900	-
Other	<u>15,371</u>	<u>6,487</u>	<u>21,858</u>	<u>-</u>
Total current liabilities	2,670,708	124,880	2,795,588	753,326
Noncurrent:				
Bonds payable, net of current portion	1,689,957	675,524	2,365,481	-
Net pension liability	1,296,000	741,000	2,037,000	-
Net OPEB liability	422,654	718,910	1,141,564	-
Other, net of current portion	<u>138,339</u>	<u>58,384</u>	<u>196,723</u>	<u>-</u>
Total noncurrent liabilities	3,546,950	2,193,818	5,740,768	-
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	385,000	187,000	572,000	-
Related to OPEB	<u>205,501</u>	<u>349,545</u>	<u>555,046</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	6,808,159	2,855,243	9,663,402	753,326
NET POSITION				
Net investment in capital assets	23,894,730	3,443,966	27,338,696	-
Unrestricted	<u>4,795,974</u>	<u>779,595</u>	<u>5,575,569</u>	<u>1,835,420</u>
TOTAL NET POSITION	\$ 28,690,704	\$ 4,223,561	\$ 32,914,265	\$ 1,835,420

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

TOWN OF FAIRHAVEN, 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	Total	Internal Service Fund
Operating Revenues:				
Charges for services	\$ 4,924,006	\$ 2,868,753	\$ 7,792,759	\$ -
Employee and employer contributions	-	-	-	7,040,220
Special assessments	731,513	-	731,513	-
Other	-	3,287	3,287	-
Total Operating Revenues	5,655,519	2,872,040	8,527,559	7,040,220
Operating Expenses:				
Salaries and benefits	1,545,453	963,585	2,509,038	7,440,184
Other operating expenses	1,304,346	374,023	1,678,369	-
Depreciation	1,242,936	162,546	1,405,482	-
Intergovernmental assessments	-	1,128,556	1,128,556	-
Total Operating Expenses	4,092,735	2,628,710	6,721,445	7,440,184
Operating Income (Loss)	1,562,784	243,330	1,806,114	(399,964)
Nonoperating Revenues (Expenses):				
Investment income	(3,651)	746	(2,905)	884
Interest expense	(76,488)	(14,986)	(91,474)	-
Total Nonoperating Revenues (Expenses), Net	(80,139)	(14,240)	(94,379)	884
Income (Loss) Before Transfers	1,482,645	229,090	1,711,735	(399,080)
Transfers:				
Transfers in	17,579	1,253	18,832	-
Total transfers in (out)	17,579	1,253	18,832	-
Change in Net Position	1,500,224	230,343	1,730,567	(399,080)
Net Position at Beginning of Year, as restated	27,190,480	3,993,218	31,183,698	2,234,500
Net Position at End of Year	\$ 28,690,704	\$ 4,223,561	\$ 32,914,265	\$ 1,835,420

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

TOWN OF FAIRHAVEN, 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	Total	Internal Service Fund
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 4,265,459	\$ 2,891,858	\$ 7,157,317	\$ 7,040,220
Payments to vendors and employees	<u>(2,250,641)</u>	<u>(2,412,377)</u>	<u>(4,663,018)</u>	<u>(7,571,348)</u>
Net Cash Provided By (Used For) Operating Activities	2,014,818	479,481	2,494,299	(531,128)
<u>Cash Flows From Noncapital Financing Activities:</u>				
Transfers in	<u>17,579</u>	<u>1,253</u>	<u>18,832</u>	<u>-</u>
Net Cash Provided By Noncapital Financing Activities	17,579	1,253	18,832	-
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Acquisition and construction of capital assets	(2,617,407)	(50,323)	(2,667,730)	-
Proceeds from issuance of bonds and notes	1,700,000	105	1,700,105	-
Principal payments on bonds and notes	(295,730)	(46,209)	(341,939)	-
Interest expense	<u>(77,385)</u>	<u>(15,394)</u>	<u>(92,779)</u>	<u>-</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,290,522)	(111,821)	(1,402,343)	-
<u>Cash Flows From Investing Activities:</u>				
Investments	(69,093)	-	(69,093)	-
Investment income	<u>(3,651)</u>	<u>746</u>	<u>(2,905)</u>	<u>884</u>
Net Cash Provided By (Used For) Investing Activities	<u>(72,744)</u>	<u>746</u>	<u>(71,998)</u>	<u>884</u>
Net Change in Cash and Short-Term Investments	669,131	369,659	1,038,790	(530,244)
Cash and Short-Term Investments, Beginning of Year	<u>3,100,585</u>	<u>1,973,572</u>	<u>5,074,157</u>	<u>2,214,390</u>
Cash and Short-Term Investments, End of Year	<u>\$ 3,769,716</u>	<u>\$ 2,343,231</u>	<u>\$ 6,112,947</u>	<u>\$ 1,684,146</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</u>				
Operating income (loss)	\$ 1,562,784	\$ 243,330	\$ 1,806,114	\$ (399,964)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,242,936	162,546	1,405,482	-
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees	37,762	17,073	54,835	-
Special assessments	254,011	2,262	256,273	-
Intergovernmental	(1,679,533)	-	(1,679,533)	-
Other receivables	447	-	447	-
Deferred outflows - related to pensions	95,000	(15,000)	80,000	-
Deferred outflows - related to OPEB	(129)	(219)	(348)	-
Accounts payable	532,808	41,442	574,250	(106,741)
Accrued liabilities	1,665	182	1,847	(24,423)
Other liabilities	103,210	-	103,210	-
Net pension liability	(458,000)	(135,000)	(593,000)	-
Net OPEB liability	(214,644)	(329,680)	(544,324)	-
Deferred inflows - related to pensions	331,000	143,000	474,000	-
Deferred inflows - related to OPEB	<u>205,501</u>	<u>349,545</u>	<u>555,046</u>	<u>-</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 2,014,818</u>	<u>\$ 479,481</u>	<u>\$ 2,494,299</u>	<u>\$ (531,128)</u>

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	Pension and OPEB <u>Trust Funds</u>	Private Purpose <u>Trust Fund</u>	Agency <u>Fund</u>
ASSETS			
Cash and short-term investments	\$ 179,716	\$ 380,895	\$ 1,367,896
Investments:			-
Certificates of deposits	-	2,632	-
Federal agency securities	-	3,944	-
Corporate bonds	-	2,004	-
Corporate equities	319,443	292,227	-
Mutual funds	192,561	-	-
External investment pool	<u>63,062,783</u>	<u>-</u>	<u>-</u>
Total investments	63,574,787	300,807	-
Accounts receivable	<u>138,231</u>	<u>-</u>	<u>-</u>
Total Assets	63,892,734	681,702	1,367,896
 LIABILITIES AND NET POSITION			
Warrants payable	-	-	42,856
Accrued liabilities	-	-	7,614
Other liabilities	<u>-</u>	<u>-</u>	<u>1,317,426</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,367,896</u>
 NET POSITION			
Restricted for pension purposes	63,378,883	-	-
Restricted for OPEB purposes	513,851	-	-
Restricted for other purposes	<u>-</u>	<u>681,702</u>	<u>-</u>
Total Net Position	<u>\$ 63,892,734</u>	<u>\$ 681,702</u>	<u>\$ -</u>

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

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

	<u>Pension and OPEB Trust Funds</u>	<u>Private Purpose Trust Fund</u>
Additions:		
Contributions:		
Employers	\$ 4,457,497	\$ -
Plan members	1,349,123	-
Other systems and Commonwealth of Massachusetts	130,608	-
Other	<u>28,173</u>	<u>16,500</u>
Total contributions	5,965,401	16,500
Investment Income (Loss):		
Investment income	15,348	8,861
Increase in fair value of investments	9,491,181	43,820
Less: management fees	<u>(305,870)</u>	<u>-</u>
Net investment income	<u>9,200,659</u>	<u>52,681</u>
Total additions	15,166,060	69,181
Deductions:		
Benefit payments to plan members, beneficiaries, and other systems	5,671,719	-
Member refunds and transfers to other systems	191,990	-
Administrative expenses	94,289	-
Other	<u>-</u>	<u>19,423</u>
Total deductions	<u>5,957,998</u>	<u>19,423</u>
Net increase	9,208,062	49,758
Net position restricted for pensions and other purposes:		
Beginning of year	<u>54,684,672</u>	<u>631,944</u>
End of year	<u>\$ 63,892,734</u>	<u>\$ 681,702</u>

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Fairhaven, Massachusetts (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 Town 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.

The Fairhaven Contributory Retirement System (the System) was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information for the System can be obtained by contacting the System's retirement administrator, located at Town of Fairhaven, 40 Center Street, Fairhaven, MA 02719.

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 inter-fund 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 fund:

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

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

The Town reports the following major proprietary funds:

- The *Sewer Fund* is used to account for the Town's sewer enterprise fund operations.
- The *Water Fund* is used to account for the Town's water enterprise fund operations.

The self-insured medical and dental claims trust is 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 *Post-employment Benefits* and *OPEB Trust Funds* are used to accumulate resources for retiree post-employment benefits.
- The *Private-Purpose Trust Fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Agency Fund* accounts 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 for the Town's trust funds consist of marketable securities, bonds, mutual funds, and certificates of deposit. Investments for the Contributory Retirement System (Pension Trust) consist of pooled investments in the State Pension Reserves Investment Trust (PRIT). Investments are carried at fair value except certificates of deposit which are reported at cost.

F. Property Tax Limitations

Legislation known as "Proposition 2½" 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% (excluding new growth), unless an override is voted. The actual fiscal year 2018 tax levy reflected an excess capacity of \$36,625.

G. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate the portion not available for appropriation and not available as expendable financial resources.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

H. 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 Town as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of five 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>
Buildings	40 - 50
Improvements	20 - 40
Infrastructure	30 - 60
Machinery and equipment	5 - 10

I. 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 and proprietary funds 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.

J. 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.

K. 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 balance 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.

L. 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 disclosures 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. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

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 the "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 to 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)	\$ 48,825,475	\$ 47,212,575
Other financing sources/uses (GAAP Basis)	<u>1,471,225</u>	<u>38,975</u>
Subtotal (GAAP Basis)	50,296,700	47,251,550
Adjust tax revenue to accrual basis	(433,007)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,541,941)
Add end-of-year appropriation carryforwards from expenditures	-	1,545,385
Record use of free cash	3,231,605	-
Record use of overlay surplus	300,000	-
Reverse effect of non-budgeted audit adjustments	(249,858)	(249,855)
Reverse effect of combining stabilization funds with general fund per GASB 54	<u>165,597</u>	<u>2,236,453</u>
Budgetary Basis	<u>\$ 53,311,037</u>	<u>\$ 49,241,592</u>

D. Deficit Fund Equity

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

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, grant revenues, and transfers from other funds.

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 Law 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." Neither the Town nor the Contributory Retirement System (System) has deposit policies for custodial credit risk.

As of June 30, 2018, \$3,965,051 of the Town's bank balance of \$30,079,530 was exposed to custodial credit risk as uninsured or uncollateralized.

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 purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the actual rating as of year-end for the Town's investments. (All federal agency securities have an implied credit rating of AAA.):

Investment Type	Amount	Minimum Legal Rating	Rating as of Year-end					Not Rated
			AAA	A3	A1	BAA1	BAA2	
Certificates of deposits	\$ 1,701	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,701
Federal agency securities	2,550	N/A	2,550	-	-	-	-	-
Corporate bonds	1,296	N/A	-	757	244	231	64	-
Corporate equities	3,840	N/A	-	-	-	-	-	3,840
Mutual funds	471	N/A	-	-	-	-	-	471
External investment pool	<u>63,063</u>	N/A	-	-	-	-	-	<u>63,063</u>
Total investments	\$ <u>72,921</u>		\$ <u>2,550</u>	\$ <u>757</u>	\$ <u>244</u>	\$ <u>231</u>	\$ <u>64</u>	\$ <u>69,075</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets is invested in any one security.

**Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

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. Neither the Town nor the System has policies for custodial credit risk.

All of 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 risk with SIPC and Excess SIPC coverage.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. As of June 30, 2018, the Town held Vanguard equities that exceeded 5% of total investments (other than U.S. treasuries, government agency securities, and mutual funds).

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT fund. Because all of the System's investments are held in the PRIT Fund's investment pool, concentration of credit risk cannot be readily determined.

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. Neither the Town nor the System has a formal investment policy that limits investment maturities as a means of managing their exposure to fair value losses arising from changing interest rates.

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>Investment Maturities</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>N/A</u>
Certificates of deposits	\$ 1,701	\$ 279	\$ 1,422	\$ -
Federal agency securities	2,550	701	1,849	-
Corporate bonds	1,296	-	1,296	-
Corporate equities	3,840	-	-	3,840
Mutual funds	471	-	-	471
External investment pool	<u>63,063</u>	<u>-</u>	<u>-</u>	<u>63,063</u>
Total	<u>\$ 72,921</u>	<u>\$ 980</u>	<u>\$ 4,567</u>	<u>\$ 67,374</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. Neither the Town nor the System has policies for foreign currency risk.

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 except for the System's investment in an external investment pool which has a measurement date of December 31, 2017:

<u>Description</u>	<u>Fair Value Measurements Using:</u>			
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments by fair value level:				
Debt securities:				
Federal agency securities	\$ 2,550	\$ -	\$ 2,550	\$ -
Corporate bonds	1,296	-	1,296	-
Equity securities:				
Corporate equities	3,840	3,840	-	-
Mutual funds	471	471	-	-
Investments measured at the net asset value (NAV):				
External investment pool (System)	<u>63,063</u>	-	-	-
Total	<u>\$ 71,220</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 (System)	\$ 63,063	\$ -	Monthly	30 days

5. Property Taxes and Excises Receivable

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 Assessors 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.

Boat excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

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

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Net Amount (accrual basis)
Real estate taxes	\$ 572,130	\$ (46,364)	\$ 525,766
Personal property taxes	50,447	(17,514)	32,933
Tax liens	1,253,578	(126,396)	1,127,182
Other	<u>18,803</u>	<u>(14,200)</u>	<u>4,603</u>
Total property taxes	<u>\$ 1,894,958</u>	<u>\$ (204,474)</u>	1,690,484
Less current portion			<u>557,344</u>
			<u>\$ 1,133,140</u>
Motor vehicle excise	\$ 302,111	\$ (113,596)	\$ 188,515
Boat excise	<u>14,613</u>	<u>(8,484)</u>	<u>6,129</u>
Total excises	<u>\$ 316,724</u>	<u>\$ (122,080)</u>	<u>\$ 194,644</u>

6. User Fee Receivables

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

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Sewer	\$ 463,060	\$ (32,490)	\$ 430,570
Water	353,380	(24,510)	328,870
Waterways	<u>16,833</u>	<u>(4,212)</u>	<u>12,621</u>
Total	<u>\$ 833,273</u>	<u>\$ (61,212)</u>	<u>\$ 772,061</u>

7. Departmental and Other Receivables

This balance consists primarily of ambulance charges and stop-loss adjustments due from the Town's health insurance carrier for medical claims in excess of stop-loss limits in the Town's self-insured internal service fund.

8. Special Assessments Receivable

This balance represents Title V and sewer special assessment receivables.

9. Intergovernmental Receivables

This represents reimbursements requested from federal, state, and local agencies for expenditures incurred in fiscal year 2018.

10. Interfund 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	\$ 1,471,225	\$ 38,975
Nonmajor Funds:		
Special revenue funds:		
Recreation	-	286,761
Ambulance	-	1,013,203
Waterways	21,396	96,000
Other	-	76,514
Subtotal - Nonmajor Funds	21,396	1,472,478
<u>Business-Type Funds:</u>		
Sewer fund	17,579	-
Water fund	1,253	-
Subtotal - Business-Type	18,832	-
Total	\$ <u>1,511,453</u>	\$ <u>1,511,453</u>

Of the transfers into the general fund, \$286,761 was from the closing of the recreation revolving fund. Transfers from ambulance receipts reserve for appropriation fund were to reimburse the general fund for EMT-related expenses. Of the transfers out of the general fund, \$17,579 was transferred to sewer enterprise and \$1,253 was transferred to water enterprise fund to reclassify debt service payments.

11. Deposits Held by Others

This balance represents the total working deposit held by the Town's self-insured health administrator for ongoing medical and dental claims.

12. Notes Receivable

This balance represents the outstanding balance of home rehabilitation loans funded by Community Development Block Grants.

13. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings	\$ 67,047	\$ -	\$ -	\$ 67,047
Improvements	13,879	1,602	-	15,481
Machinery and equipment	5,013	506	-	5,519
Infrastructure	<u>32,058</u>	<u>1,388</u>	<u>-</u>	<u>33,446</u>
Total capital assets, being depreciated	117,997	3,496	-	121,493
Less accumulated depreciation for:				
Buildings	(21,998)	(1,628)	-	(23,626)
Improvements	(5,349)	(545)	-	(5,894)
Machinery and equipment	(3,613)	(329)	-	(3,942)
Infrastructure	<u>(13,643)</u>	<u>(947)</u>	<u>-</u>	<u>(14,590)</u>
Total accumulated depreciation	<u>(44,603)</u>	<u>(3,449)</u>	<u>-</u>	<u>(48,052)</u>
Total capital assets, being depreciated, net	73,394	47	-	73,441
Capital assets, not being depreciated:				
Land	22,184	-	-	22,184
Construction in progress	<u>853</u>	<u>268</u>	<u>(762)</u>	<u>359</u>
Total capital assets, not being depreciated	<u>23,037</u>	<u>268</u>	<u>(762)</u>	<u>22,543</u>
Governmental activities capital assets, net	<u>\$ 96,431</u>	<u>\$ 315</u>	<u>\$ (762)</u>	<u>\$ 95,984</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and system	\$ 35,707	\$ -	\$ -	\$ 35,707
Improvements other than buildings	22,787	557	-	23,344
Machinery and equipment	<u>3,686</u>	<u>72</u>	<u>-</u>	<u>3,758</u>
Total capital assets, being depreciated	62,180	629	-	62,809
Less accumulated depreciation for:				
Buildings and system	(22,175)	(580)	-	(22,755)
Improvements other than buildings	(9,623)	(747)	-	(10,370)
Machinery and equipment	<u>(3,000)</u>	<u>(78)</u>	<u>-</u>	<u>(3,078)</u>
Total accumulated depreciation	<u>(34,798)</u>	<u>(1,405)</u>	<u>-</u>	<u>(36,203)</u>
Total capital assets, being depreciated, net	27,382	(776)	-	26,606
Capital assets, not being depreciated:				
Land	989	-	-	989
Construction in progress	<u>2,105</u>	<u>2,595</u>	<u>(557)</u>	<u>4,143</u>
Total capital assets, not being depreciated	<u>3,094</u>	<u>2,595</u>	<u>(557)</u>	<u>5,132</u>
Business-type activities capital assets, net	<u>\$ 30,476</u>	<u>\$ 1,819</u>	<u>\$ (557)</u>	<u>\$ 31,738</u>

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

Governmental Activities:	
General government	\$ 250
Public safety	195
Education	1,759
Public works	1,132
Culture and recreation	<u>113</u>
Total depreciation expense - governmental activities	<u>\$ 3,449</u>
Business-Type Activities:	
Sewer fund	\$ 1,243
Water fund	<u>162</u>
Total depreciation expense - business-type activities	<u>\$ 1,405</u>

14. 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 and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

15. Warrants and Accounts Payable

Warrants payable represent 2018 expenditures paid by July 15, 2018. Accounts payable represent additional 2018 expenses paid after the close of the fiscal year.

16. Accrued Liabilities

Accrued liabilities consist primarily of year-end payroll and withholdings, self-insured health and dental claims incurred but not yet recorded, and accrued interest on long-term debt.

17. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

18. Notes Payable

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

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/18</u>
<u>Business-Type Activities:</u>				
Sewer	2.15%	06/26/18	07/27/18 *	\$ <u>1,700,000</u>
Total				\$ <u><u>1,700,000</u></u>

*Subsequent to maturity this note was bonded. See Note 29.

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

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Balance End of Year</u>
<u>Business-Type Activities:</u>			
Sewer	\$ <u>-</u>	\$ <u>1,700,000</u>	\$ <u>1,700,000</u>
Total	\$ <u><u>-</u></u>	\$ <u><u>1,700,000</u></u>	\$ <u><u>1,700,000</u></u>

19. 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>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/18</u>
<u>Governmental Activities:</u>			
Elementary school MSBA	11/01/18	2.0%	\$ 148,714
Elementary school	11/01/33	3.0 - 4.0%	7,240,000
High school - refunding	12/15/24	2.0 - 5.0%	326,000
Elementary and high school - refunding	03/15/27	2.0 - 3.0%	<u>1,730,000</u>
Total Governmental Activities			\$ <u><u>9,444,714</u></u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/18</u>
Sewer - Boulder Park MWPAT	08/01/18	4.0 - 5.2%	\$ 20,900
Sewer - Title V MWPAT	08/01/18	0.0%	10,868
Sewer - Title V MWPAT	02/01/21	0.0%	20,269
Sewer - USDA Rural Development	02/02/26	4.5%	117,180
Sewer Digester	01/15/33	2.0%	564,752
Sewer - Nancy Street refunding	12/15/19	2.0 - 5.0%	9,000
Sewer - UV Disinfection refunding	12/15/24	2.0 - 5.0%	487,000
Sewer - Sconticut Neck refunding	12/15/24	2.0 - 5.0%	748,000
Water - Boston Hill Water Tank	11/01/22	3.0 - 4.0%	75,000
Water - MCWT Boston Hill Water Tank	07/15/35	2.0%	647,412
Total Business-Type Activities			<u>\$ 2,700,381</u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 855,714	\$ 282,786	\$ 1,138,500
2020	707,000	261,988	968,988
2021	702,000	244,162	946,162
2022	697,000	225,770	922,770
2023	692,000	206,810	898,810
2024 - 2028	3,091,000	742,565	3,833,565
2029 - 2034	2,250,000	298,688	2,548,688
Thereafter	450,000	9,000	459,000
Total	<u>\$ 9,444,714</u>	<u>\$ 2,271,769</u>	<u>\$ 11,716,483</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 334,900	\$ 75,526	\$ 410,426
2020	300,168	63,199	363,367
2021	292,401	51,193	343,594
2022	284,602	41,294	325,896
2023	269,931	33,477	303,408
2024 - 2028	714,098	90,807	804,905
2029 - 2034	415,275	34,174	449,449
Thereafter	89,006	2,680	91,686
Total	<u>\$ 2,700,381</u>	<u>\$ 392,350</u>	<u>\$ 3,092,731</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 <u>7/1/17</u>	Additions	Reductions	Total Balance <u>6/30/18</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/18</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 10,306	\$ -	\$ (861)	\$ 9,445	\$ (856)	\$ 8,589
Net pension liability	18,870	-	(3,954)	14,916	-	14,916
Net OPEB liability	19,364	11,227	-	30,591	-	30,591
Other:						
Landfill liability	325	-	(25)	300	(25)	275
Compensated absences	1,132	414	(16)	1,530	(153)	1,377
Special termination benefits	144	-	(69)	75	(75)	-
Subtotal - other	<u>1,601</u>	<u>414</u>	<u>(110)</u>	<u>1,905</u>	<u>(253)</u>	<u>1,652</u>
Totals	<u>\$ 50,141</u>	<u>\$ 11,641</u>	<u>\$ (4,925)</u>	<u>\$ 56,857</u>	<u>\$ (1,109)</u>	<u>\$ 55,748</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 3,042	\$ -	\$ (342)	\$ 2,700	\$ (335)	\$ 2,365
Net pension liability	2,630	-	(593)	2,037	-	2,037
Net OPEB liability	1,891	-	(749)	1,142	-	1,142
Other:						
Compensated absences	<u>78</u>	<u>141</u>	<u>-</u>	<u>219</u>	<u>(22)</u>	<u>197</u>
Totals	<u>\$ 7,641</u>	<u>\$ 141</u>	<u>\$ (1,684)</u>	<u>\$ 6,098</u>	<u>\$ (357)</u>	<u>\$ 5,741</u>

20. Landfill Post-Closure Care Costs

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

The \$300,000 reported as landfill postclosure care liability at June 30, 2018 represents the estimated future monitoring costs of the Town's former landfill, which was closed and capped in 1999. These costs will be captured annually as part of the Town's budget. Actual cost may be higher than estimated due to inflation, changes in technology, or changes in regulations.

21. 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

is 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.

22. 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 funds 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 the unspent balance of capital projects funded by bond issuances, 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 classification includes general fund encumbrances for non-lapsing special article appropriations approved at Town Meeting.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose as established by management. 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, fund balance voted to be used for the subsequent year's budget, and funds reserved by Town management for future debt service payments.

Unassigned - Represents amounts that are available to be spent in future periods.

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

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 2,645,413	\$ 2,645,413
Total Nonspendable	-	2,645,413	2,645,413
Restricted			
Bonded projects	-	53,677	53,677
Special revenue funds	-	5,891,971	5,891,971
Expendable permanent funds	-	395,682	395,682
Total Restricted	-	6,341,330	6,341,330
Committed			
Carryover articles	1,283,137	-	1,283,137
Ambulance stabilization	52,405	-	52,405
Capital stabilization	2,312,164	-	2,312,164
Special education reserve stabilization	386,554	-	386,554
Total Committed	4,034,260	-	4,034,260
Assigned			
Encumbrances	320,839	-	320,839
Reserve for expenditure	2,543,818	-	2,543,818
Future debt service	107,357	-	107,357
Total Assigned	2,972,014	-	2,972,014
Unassigned			
Stabilization funds	2,951,046	-	2,951,046
Undesignated	7,408,105	-	7,408,105
Special revenue fund deficits	-	(250,482)	(250,482)
Total Unassigned	10,359,151	(250,482)	10,108,669
Total Fund Balance	\$ 17,365,425	\$ 8,736,261	\$ 26,101,686

23. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

Massachusetts general laws include provisions to allow municipalities to over expend certain appropriations if they are incurred in an emergency situation and for the safety of the public. The most common example involves the “snow and ice” appropriation. All such overexpenditures, however, must be funded in the subsequent year’s tax rate.

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 10,359,151
General stabilization	(2,951,046)
Tax refund estimate	<u>84,287</u>
Statutory (UMAS) Balance	<u>\$ 7,492,392</u>

24. 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 Fairhaven 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 Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System’s annual financial reports, which are publicly available at the System’s administrative offices at 40 Centre Street, Fairhaven, Massachusetts 02719.

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-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 February 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 \$2,946,801, which was equal to its 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 the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable 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 \$16,953,000 for its proportionate share of the System's total 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 an actuarially determined projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At December 31, 2017, the Town's proportion was 96.96%.

For the year ended June 30, 2018, the Town recognized total pension expense of \$3,644,000. In addition, the Town reported deferred outflows of resources

and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,546,000
Changes of assumptions	4,165,000	-
Net difference between projected and actual earnings on pension plan investments	-	2,472,000
Changes in proportion and differences between contributions and proportionate share of contributions	<u>159,000</u>	<u>127,000</u>
Total	<u>\$ 4,324,000</u>	<u>\$ 4,145,000</u>

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

Year ended June 30:

2019	\$ 484,000
2020	490,000
2021	(217,000)
2022	(599,000)
2023	<u>21,000</u>
Total	<u>\$ 179,000</u>

D. Actuarial Assumptions

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

Valuation date	January 1, 2018
Actuarial cost methods	Entry Age Normal Cost
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.25% for Group 1 and 4.75% for Group 4
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3% of first \$14,000

Mortality rates were based on:

- Pre-Retirement Mortality: RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 (gender distinct).

- Post-Retirement Mortality: RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 (gender distinct).
- Disabled Mortality: RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 (gender distinct).

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage adjusted by a 3.00% inflation assumption. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 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%
Int'l Equities	16.00%	7.80%
Emerging Int'l 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	<u>13.00%</u>	6.40%
Total	100.00%	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member contributions at the current contribution rate and employer contributions at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments 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.

F. Sensitivity of the Proportionate Share of the Net Pension Liability and Changes in the Discount Rate

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
\$ 25,883,472	\$ 16,953,000	\$ 9,385,728

G. Pension Plan Fiduciary Net Position

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

25. 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) establish 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) 7.50% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% 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 Employees 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 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	40.00%	5.00%
Portfolio completion strategies	13.00%	1.10%
Core fixed income	12.00%	6.60%
Private equity	11.00%	3.60%
Real estate	10.00%	3.80%
Value added fixed income	10.00%	3.60%
Timber/natural resources	4.00%	3.20%
Hedge funds	0.00%	3.60%
Total	<u>100.00%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 (amounts in thousands):

<u>1% Decrease to 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase to 8.50%</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 and pension expense was \$40,992,054 and \$4,278,460 respectively, based on a proportionate share of 0.179119%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution as both a revenue and expenditure in the general fund, and its portion of the collective pension expense as both a revenue and expense in the governmental activities.

26. 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 2012, the Government 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/Blue Shield of Massachusetts. 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 July 1, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	316
Active employees	<u>387</u>
Total	<u><u>703</u></u>

B. Investments

The OPEB trust fund assets consist of mutual funds.

Rate of return. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 3.98 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

C. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3%, average, including inflation
Investment rate of return	6.86%, net of OPEB plan investment expense
Municipal bond rate	3.45%
Discount rate	7.00%
Healthcare cost trend rates	5% for 2018
Retirees' share of benefit-related costs	40% of medical premiums, 50% of dental premiums, and 45% of life insurance premiums

Mortality rates were based on:

- Pre-Retirement Mortality: RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females
- Post-Retirement Mortality: RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females
- Disabled Mortality: RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year 2012 for males and females

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of January 1, 2015.

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

and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 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>
Domestic Equity - Large Cap	22.50%	4.00%
Domestic Equity - Small/Mid Cap	11.25%	6.00%
International Equity - Developed Market	11.50%	4.50%
International Equity - Emerging Market	5.75%	7.00%
Domestic Fixed Income	24.25%	2.00%
International Fixed Income	6.00%	3.00%
Alternatives	18.50%	6.50%
Real estate	0.00%	6.25%
Cash	<u>0.25%</u>	0.00%
Total	<u><u>100.00%</u></u>	

D. Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%. 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:

Total OPEB liability	\$ 32,246,053
Plan fiduciary net position	<u>513,851</u>
Net OPEB liability	<u><u>\$ 31,732,202</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability	1.59%
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F. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 48,194,393	\$ 347,072	\$ 47,847,321
Changes for the year:			
Service cost	724,378	-	724,378
Interest	3,380,596	-	3,380,596
Contributions - employer	-	1,420,582	(1,420,582)
Net investment income	-	16,779	(16,779)
Changes in assumptions or other inputs	(18,782,732)	-	(18,782,732)
Benefit payments	<u>(1,270,582)</u>	<u>(1,270,582)</u>	<u>-</u>
Net Changes	<u>(15,948,340)</u>	<u>166,779</u>	<u>(16,115,119)</u>
Balances, end of year	<u>\$ 32,246,053</u>	<u>\$ 513,851</u>	<u>\$ 31,732,202</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.00 percent in 2016 to 7.00 percent in 2018.

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:

1% Decrease	Current Discount Rate	1% Increase
\$ 36,109,292	\$ 31,732,202	\$ 27,355,112

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 were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$ 25,236,026	\$ 31,732,202	\$ 39,777,457

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

For the year ended June 30, 2018, the Town recognized an OPEB expense of \$696,118. At June 30, 2018, the Town reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 15,428,673
Net difference between projected and actual OPEB investment earnings	<u>9,672</u>	<u>-</u>
Total	<u>\$ 9,672</u>	<u>\$ 15,428,673</u>

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

<u>Year Ended June 30:</u>	
2019	\$ 3,351,641
2020	3,351,641
2021	3,351,641
2022	3,351,641
2023	<u>2,012,437</u>
Total	<u>\$ 15,419,001</u>

27. Pension and OPEB Trust Funds

The Fairhaven Contributory Retirement System and the OPEB Trust Fund are presented in a single column in the accompanying fiduciary fund financial statements. Details of the financial position and changes in net position are as follows:

	Pension Trust Fund (December 31, 2017)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
ASSETS			
Cash and short-term investments	\$ 177,869	\$ 1,847	\$ 179,716
Investments:			
Corporate equities	-	319,443	319,443
Mutual funds	-	192,561	192,561
External investment pool	<u>63,062,783</u>	<u>-</u>	<u>63,062,783</u>
Total investments	63,062,783	512,004	63,574,787
Accounts receivable	<u>138,231</u>	<u>-</u>	<u>138,231</u>
Total Assets	<u>\$ 63,378,883</u>	<u>\$ 513,851</u>	<u>\$ 63,892,734</u>
NET POSITION			
Restricted for pension purposes	\$ 63,378,883	\$ -	\$ 63,378,883
Restricted for OPEB purposes	<u>-</u>	<u>513,851</u>	<u>513,851</u>
	<u>\$ 63,378,883</u>	<u>\$ 513,851</u>	<u>\$ 63,892,734</u>

	Pension Trust Fund (year ended December 31, 2017)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
Additions:			
Contributions:			
Employers	\$ 3,036,915	\$ 1,420,582	\$ 4,457,497
Plan members	1,349,123	-	1,349,123
Other systems and Commonwealth of Massachusetts	130,608	-	130,608
Other	<u>28,173</u>	<u>-</u>	<u>28,173</u>
Total contributions	4,544,819	1,420,582	5,965,401
Investment Income (Loss):			
Investment income	-	15,348	15,348
Increase (decrease) in fair value of investments	9,489,750	1,431	9,491,181
Less: management fees	<u>(305,870)</u>	<u>-</u>	<u>(305,870)</u>
Net investment income	<u>9,183,880</u>	<u>16,779</u>	<u>9,200,659</u>
Total additions	13,728,699	1,437,361	15,166,060
Deductions:			
Benefit payments to plan members, beneficiaries, and other systems	4,401,137	1,270,582	5,671,719
Member refunds and transfers to other systems	191,990	-	191,990
Administrative expenses	<u>94,289</u>	<u>-</u>	<u>94,289</u>
Total deductions	<u>4,687,416</u>	<u>1,270,582</u>	<u>5,957,998</u>
Net increase	9,041,283	166,779	9,208,062
Net position restricted for pensions and other purposes:			
Beginning of year	<u>54,337,600</u>	<u>347,072</u>	<u>54,684,672</u>
End of year	<u>\$ 63,378,883</u>	<u>\$ 513,851</u>	<u>\$ 63,892,734</u>

28. Self-Insurance

The Town self-insures against claims for employee health coverage. Annual estimated requirements for claims are provided in the Town's annual operating budget.

Health Insurance

The Town contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the Town is liable for claims up to \$90,000 per individual. 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:

	<u>Health Coverage</u>
Claims liability, beginning of year	\$ 318,032
Claims incurred/recognized in fiscal year 2018	7,440,184
Claims paid in fiscal year 2018	<u>(7,464,607)</u>
Claims liability, end of year	<u>\$ 293,609</u>

29. Subsequent Events

Debt

Subsequent to June 30, 2018, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General obligation bond	\$ 8,290,000	3 - 5%	07/25/18	06/30/39

30. Commitments and Contingencies

Outstanding Legal Issues - On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

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.

Commitments - The Town built a sewer treatment plant several years ago that met the environmental pollutant discharge regulations at the time, however, pollutant discharge regulations have since changed. When the Town applied for a license renewal, the Environmental Protection Agency (EPA) and the Department of Environmental Protection (DEP) agreed to renew the license if improvements were made to reduce the amount of nitrogen discharged. The Town, EPA, and DEP have agreed upon a plan to reduce the amount nitrogen discharged from the Plant. The plan will involve planning, design and capital

improvements that will commence in FY2019 and be completed by 2026 at an estimated total cost of \$25 million to be funded by future debt borrowings.

31. Leases

The Town is the lessor in an agreement with Southeastern Massachusetts Educational Collaborative to lease the Tripp School building. The lease agreement is for a term of five years beginning November 1, 2016 and terminating on October 31, 2021. Following is the future minimum rental income to be received by the Town under the terms of this lease for the year ending June 30:

2019	\$	37,209
2020		37,954
2021		38,712
2022		<u>12,989</u>
Total	\$	<u><u>126,864</u></u>

32. Beginning Net Position Restatement

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

Government-Wide Financial Statements:

	Governmental Activities	Business-Type Activities		
		Sewer	Water	Total
As previously reported	\$ 80,731,092	\$ 26,532,387	\$ 4,481,406	\$ 31,013,793
Implementation of GASB 75 OPEB	<u>(26,762,112)</u>	<u>658,093</u>	<u>(488,188)</u>	<u>169,905</u>
As restated	<u><u>\$ 53,968,980</u></u>	<u><u>\$ 27,190,480</u></u>	<u><u>\$ 3,993,218</u></u>	<u><u>\$ 31,183,698</u></u>

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

JUNE 30, 2018
(Unaudited)

Fairhaven Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2018	December 31, 2017	96.96%	\$16,953,000	\$ 11,413,162	148.54%	78.40%
June 30, 2017	December 31, 2016	96.71%	\$21,500,000	\$ 10,759,955	199.81%	71.00%
June 30, 2016	December 31, 2015	96.56%	\$18,463,000	\$ 10,200,598	181.00%	72.70%
June 30, 2015	December 31, 2014	96.46%	\$16,607,000	\$ 10,190,034	162.97%	75.49%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2018	June 30, 2017	0.179119%	-	\$ 40,992,054	\$ 40,992,054	\$ 12,163,018	-	54.25%
June 30, 2017	June 30, 2016	0.176155%	-	\$ 39,384,609	\$ 39,384,609	\$ 11,586,868	-	52.73%
June 30, 2016	June 30, 2015	0.180847%	-	\$ 37,054,975	\$ 37,054,975	\$ 11,463,689	-	55.38%
June 30, 2015	June 30, 2014	0.184015%	-	\$ 29,251,667	\$ 29,251,667	\$ 11,282,869	-	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 FAIRHAVEN, MASSACHUSETTS

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

**JUNE 30, 2018
(Unaudited)**

Fairhaven Contributory 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	\$ 2,946,801	\$ 2,946,801	\$ -	\$ 11,413,162	25.82%
June 30, 2017	December 31, 2016	\$ 2,799,586	\$ 2,859,586	\$ (60,000)	\$ 10,759,955	26.58%
June 30, 2016	December 31, 2015	\$ 2,662,396	\$ 2,679,322	\$ (16,926)	\$ 10,200,598	26.27%
June 30, 2015	December 31, 2014	\$ 2,533,204	\$ 2,533,204	\$ -	\$ 10,190,034	24.86%

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	\$ 2,213,041	\$ 2,213,041	\$ -	\$ 12,163,018	18.19%
June 30, 2017	June 30, 2016	\$ 1,981,009	\$ 1,981,009	\$ -	\$ 11,586,868	17.10%
June 30, 2016	June 30, 2015	\$ 1,848,133	\$ 1,848,133	\$ -	\$ 11,463,689	16.12%
June 30, 2015	June 30, 2014	\$ 1,724,918	\$ 1,724,918	\$ -	\$ 11,282,869	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 FAIRHAVEN, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Schedule of Changes in the Net OPEB Liability (GASB 74 and 75)

(Unaudited)

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 724,378	\$ 1,596,309
Interest on unfunded liability - time value of \$	3,380,596	1,763,894
Changes of assumptions	(18,782,732)	-
Benefit payments, including refunds of member contributions	<u>(1,270,582)</u>	<u>(1,202,254)</u>
Net change in total OPEB liability	(15,948,340)	2,157,949
Total OPEB liability - beginning	<u>48,194,393</u>	<u>46,036,444</u>
Total OPEB liability - ending (a)	32,246,053	48,194,393
Plan fiduciary net position		
Contributions - employer	1,420,582	1,302,254
Net investment income	16,779	24,778
Benefit payments, including refunds of member contributions	<u>(1,270,582)</u>	<u>(1,202,254)</u>
Net change in plan fiduciary net position	166,779	124,778
Plan fiduciary net position - beginning	<u>347,072</u>	<u>222,294</u>
Plan fiduciary net position - ending (b)	<u>513,851</u>	<u>347,072</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 31,732,202</u>	<u>\$ 47,847,321</u>

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 FAIRHAVEN, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74)

(Unaudited)

Schedule of Net OPEB Liability

	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 32,246,053	\$ 48,194,393
Plan fiduciary net position	<u>513,851</u>	<u>347,072</u>
Net OPEB liability (asset)	<u>\$ 31,732,202</u>	<u>\$ 47,847,321</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.59%	0.72%

Schedule of Contributions

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 4,327,970	\$ 4,143,844
Contributions in relation to the actuarially determined contribution	<u>1,420,582</u>	<u>1,302,254</u>
Contribution deficiency (excess)	<u>\$ 2,907,388</u>	<u>\$ 2,841,590</u>

Schedule of Investment Returns

	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	3.98%	9.14%

*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.