

**TOWN OF AUBURN, MASSACHUSETTS**  
**Report on the Examination of Basic Financial Statements**  
**For the Year Ended June 30, 2018**

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## **Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Auburn, Massachusetts

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan and other postemployment benefit plan schedules as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2019, on our consideration of the Town of Auburn, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Auburn, Massachusetts' internal control over financial reporting and compliance.

## *Scanlon and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

February 15, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

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

### Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$47,985,135 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$45,924,365, an increase of \$2,060,770 (4%).
- As required by Government Accounting Standards Board (GASB) Statement No. 75, in fiscal year 2018, the Town recognized increases to the Other Post Employment Benefits (OPEB) obligation payable of \$7,321,699 and to the Deferred Inflows of Resources related to OPEB of \$4,944 on the statement of net position from the previous year, see Note 5.
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$31,627,983, an increase of \$5,105,692 (19%) in comparison with prior year.
- The General Fund's total fund balance increased \$2,667,289 (16%) to \$18,921,131. The ending General fund balance is 28% of revenues and transfers in, and 29% of expenditures and transfers out.
- Total liabilities of the Town increased by \$6,279,352 (5%) to \$117,353,477 during the fiscal year. This net change resulted mainly from net an increase the net pension liability of \$1,983,427 and net decreases in the bond anticipation notes of \$2,024,376, in the bonds and leases payable of \$1,619,224 and in the other post employment benefits (OPEB) liability of \$5,586,254.
- The Town had General Fund free cash certified by the Department of Revenue in the amount of \$12,254,536. The key factors that attributed to the free cash amount for fiscal year 2018 were unexpended/unencumbered appropriations of \$692,700, excess over budget state and local receipts of \$1,439,000 and prior year free cash not appropriated of \$10,109,400.
- The Town's enterprise fund certified free cash is as follows:
  - Pakachoag golf course                   \$ 137,646.
  - Sewer fund                                   \$1,538,737.
  - Cable Access                                 \$ 397,340.

### Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activities include sewer and pakachoag golf course activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

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

**Proprietary funds.** The Town maintains two types of proprietary funds.

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

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses internal service funds to account for health insurance. Because these services predominately 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 the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Financial Highlights

### Statement of Net Position Highlights

	Governmental Activities		
	2018	2017	Change
<b>Assets:</b>			
Current assets	\$ 50,203,702	\$ 45,177,665	\$ 5,026,037
Noncurrent assets (excluding capital assets)	-	3,356	(3,356)
Capital assets	105,218,395	106,896,325	(1,677,930)
<b>Total assets</b>	<b>155,422,097</b>	<b>152,077,346</b>	<b>3,344,751</b>
<b>Deferred Outflows of Resources</b>	<b>6,336,400</b>	<b>6,269,819</b>	<b>66,581</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt and lease)	5,718,107	4,669,458	1,048,649
Current debt and lease	7,071,957	8,947,000	(1,875,043)
Noncurrent liabilities (excluding debt and lease)	67,452,678	71,062,561	(3,609,883)
Noncurrent debt and lease	33,059,848	34,574,546	(1,514,698)
<b>Total liabilities</b>	<b>113,302,590</b>	<b>119,253,565</b>	<b>(5,950,975)</b>
<b>Deferred Inflows of Resources</b>	<b>7,167,899</b>	<b>237,840</b>	<b>6,930,059</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	65,086,590	63,374,779	1,711,811
Restricted	10,215,772	13,135,777	(2,920,005)
Unrestricted	(34,014,354)	(37,654,796)	3,640,442
<b>Total net position</b>	<b>\$ 41,288,008</b>	<b>\$ 38,855,760</b>	<b>\$ 2,432,248</b>

	Business-Type Activities		
	2018	2017	Change
<b>Assets:</b>			
Current assets	\$ 2,430,452	\$ 3,200,695	\$ (770,243)
Noncurrent assets (excluding capital assets)	114,086	146,830	(32,744)
Capital assets	8,087,376	7,860,140	227,236
<b>Total assets</b>	<b>10,631,914</b>	<b>11,207,665</b>	<b>(575,751)</b>
<b>Deferred Outflows of Resources</b>	<b>236,978</b>	<b>249,531</b>	<b>(12,553)</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt and leases)	84,695	86,994	(2,299)
Current debt	254,685	253,859	826
Noncurrent liabilities (excluding debt and leases)	1,839,440	1,911,659	(72,219)
Noncurrent debt	1,872,067	2,126,752	(254,685)
<b>Total liabilities</b>	<b>4,050,887</b>	<b>4,379,264</b>	<b>(328,377)</b>
<b>Deferred Inflows of Resources</b>	<b>120,878</b>	<b>9,327</b>	<b>111,551</b>
<b>Net Position:</b>			
Net investment in capital assets	5,960,624	5,479,529	481,095
Restricted	439,958	1,242,050	(802,092)
Unrestricted	296,545	347,026	(50,481)
<b>Total net position</b>	<b>\$ 6,697,127</b>	<b>\$ 7,068,605</b>	<b>\$ (371,478)</b>



## Financial Highlights

### Statement of Activities Highlights

	Governmental Activities		
	2018	2017	Change
<b>Program Revenues:</b>			
Charges for services	\$ 6,242,985	\$ 5,738,157	\$ 504,828
Operating grants and contributions	19,186,679	18,050,516	1,136,163
Capital grants and contributions	940,729	706,616	234,113
<b>General Revenues:</b>			
Property taxes	41,177,408	39,942,159	1,235,249
Motor vehicle excise and other taxes	3,230,617	3,100,272	130,345
Hotel room occupancy and meals taxes	1,238,584	1,196,578	42,006
Penalties and interest on taxes	269,730	278,801	(9,071)
Nonrestricted grants	2,089,999	1,858,639	231,360
Unrestricted investment income	66,212	94,978	(28,766)
Gain(Loss) on Sale of Capital Assets	-	(39,441)	39,441
Miscellaneous	-	12,483	(12,483)
<b>Total revenues</b>	<b>74,442,943</b>	<b>70,939,758</b>	<b>3,503,185</b>
<b>Expenses:</b>			
General government	3,476,090	3,796,602	(320,512)
Public safety	8,840,819	8,295,692	545,127
Public works	4,609,570	4,164,360	445,210
Education	32,751,760	32,041,865	709,895
Health and human services	923,470	829,532	93,938
Culture and recreation	1,229,163	1,134,226	94,937
Employee benefits and insurance	18,509,646	19,826,715	(1,317,069)
State assessments	637,674	602,455	35,219
Interest	1,348,087	1,400,837	(52,750)
<b>Total expenses</b>	<b>72,326,279</b>	<b>72,092,284</b>	<b>233,995</b>
<b>Contributions to permanent funds</b>	<b>30,990</b>	<b>23,295</b>	<b>7,695</b>
<b>Transfers</b>	<b>284,594</b>	<b>463,139</b>	<b>(178,545)</b>
<b>Change in net position</b>	<b>2,432,248</b>	<b>(666,092)</b>	<b>3,098,340</b>
<b>Net position - beginning of year</b>	<b>38,855,760</b>	<b>39,521,852</b>	<b>(666,092)</b>
<b>Net position - end of year</b>	<b>\$ 41,288,008</b>	<b>\$ 38,855,760</b>	<b>\$ 2,432,248</b>

	<b>Business-Type Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Change</b>
<b>Program Revenues:</b>			
Charges for services	\$ 3,029,665	\$ 3,039,513	\$ (9,848)
Operating grants and contributions	9,597	4,983	4,614
<b>Total revenues</b>	<b>3,039,262</b>	<b>3,044,496</b>	<b>(5,234)</b>
<b>Expenses:</b>			
Sewer	2,776,937	2,504,831	272,106
Pakachoag Golf Course	349,209	301,570	47,639
<b>Total expenses</b>	<b>3,126,146</b>	<b>2,806,401</b>	<b>319,745</b>
<b>Transfers</b>	<b>(284,594)</b>	<b>(463,139)</b>	<b>178,545</b>
<b>Change in net position</b>	<b>(371,478)</b>	<b>(225,044)</b>	<b>(146,434)</b>
<b>Net position - beginning of year</b>	<b>7,068,605</b>	<b>7,293,649</b>	<b>(225,044)</b>
<b>Net position - end of year</b>	<b>\$ 6,697,127</b>	<b>\$ 7,068,605</b>	<b>\$ (371,478)</b>

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$47,985,135 at the close of fiscal year 2018.

Net position of \$71,047,214 represents its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position \$10,655,730, represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$33,717,809).

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

The Town is able to report positive balances in all three categories of net position for the business-type activities.

The governmental activities net position increased by \$2,432,248 (6%) during the current fiscal year. The significant reasons for the increase in net position are attributed to decreases in the depreciation expense (normally spread out over the useful life of the asset) for the year of \$4,999,692 exceeding the acquisition of \$3,321,762 in new capital assets, in recognizing this year's net pension liability of \$1,991,666 and in the deferred outflow/(inflow) of resources related to pensions of \$1,214,673; and increases due to the net changes in governmental funds of \$5,105,692 and in debt and leases of \$1,365,365.

There was a decrease of \$371,478 (5%) in net position reported in the sewer and pakachoag golf course business-type activities. Of this, there was a decrease of \$392,197 attributed to the sewer fund and an increase of \$20,719 attributed to the pakachoag golf course fund.

There was an increase of \$909,724 (11%) in net position reported in the internal service fund. This was attributed to operating revenues exceeding operating expenditures by \$867,798 and interest earned of \$41,926.

### **Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$31,627,983, an increase of \$5,105,692 (19%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance – \$1,000,154 (3%).
- Restricted fund balance – \$8,215,716 (26%).
- Committed fund balance – \$5,545,382 (17%).
- Assigned fund balance – \$1,765,443 (6%).
- Unassigned fund balance – \$15,101,288 (48%).

#### Major Governmental Funds

At the end of the fiscal year, the General Fund reported a total fund balance of \$18,921,131 increasing \$2,667,289 (16%) from the prior year. Of the \$18,921,131, the unassigned amount is \$16,416,734 (87%), the assigned amount is \$1,765,443 (9%) and the restricted amount is \$738,954 (4%). General fund revenues were \$3,502,137 (6%) more than the prior fiscal year while expenditures also increased by \$1,886,858 (3%). Other activities in the General Fund were net transfers in from other funds of \$1,355,683 and the premium on issuance of bonds of \$111,821.

The main components of the increases in general fund revenues as compared to the prior year related to increases in property taxes in the amount of \$1,497,706 (4%), in intergovernmental receipts of \$1,130,434 (10%), in excise and other taxes of \$232,055 (5%), in licenses, permits and fees of \$330,499 (35%) and intergovernmental "on-behalf" payments of \$273,664 (5%).

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

- Decrease in Public works expenditures of \$293,448 (7%).
- Increase in Education expenditures of \$533,381 (2%).
- Increase in Employee benefits and insurance expenditures of \$1,248,045 (8%).

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

## Major Proprietary Funds

The *Sewer Fund* is the financing and operations of the Town's sewer system. The sewer fund has accumulated a balance of \$6,667,189 and shows a decrease of \$392,197 (6%) in total operations. This is attributed to operating costs exceeding by operating revenues \$95,936, interest income of \$6,395, special assessments revenue of \$7,366, interest expense of \$60,521 and net transfers to the general fund of \$249,501. Operating revenues decreased by \$42,985 (2%) while operating expenses increased by \$276,510 (11%) from the prior year.

The *Pakachoag Golf Course Fund* accounts for the financing and operations of the Town's golf course. The fund has accumulated a balance of \$29,938 and shows an increase of \$20,719 (225%) in total operations. This increase is attributed to operating revenues exceeding the operating costs by \$52,610, interest income of \$3,202 and net transfers to governmental funds of \$35,093.

## Internal Service Fund

The activity of the internal service fund represents the health insurance fund. The fund has accumulated a fund balance of \$8,921,421. The fund increased by \$909,724 (11%) in total operations. This is the result of contributions from the employees and employer for \$7,489,591, other revenue of \$318,325, expenses of \$6,940,118 and interest earned of \$41,926. Operating revenues increased by \$709,359 (10%) and operating expenses also increased by \$628,407 (10%) from the prior year.

## General Fund Budgetary Highlights

The final general fund budget for fiscal year 2018 was \$61,818,917. This was an increase of \$2,443,984 (4%) over the previous year's budget.

There was an increase between the original budget and the total final amended budget. The change is attributed to funds voted from available funds at the special town meeting in October 2017 for various budget operating line items.

General fund expenditures were less than budgeted by \$2,282,900. Of the \$2,282,900 in under budget expenditures, \$1,590,243 has been carried over to fiscal year 2019.

The variance with the final budget was a positive \$2,314,932 consisting of a revenue surplus of \$1,622,275 and an appropriation surplus of \$692,657.

## Capital Assets and Debt Administration

**Capital Assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounts to \$105,218,395 and \$8,087,376, respectively.

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

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

- Land donations to the Town for \$157,600.
- Town buildings' energy improvements for \$213,804.
- Police vehicle purchases for \$86,156.
- Fire Department vehicle purchase for \$52,500.

- Highway facility improvements for \$86,146.
- Highway vehicle and equipment purchases for \$129,640.
- Road and street improvements for \$619,448.
- Various school improvements for \$1,551,685.
- School playground equipment purchase for \$78,145.
- High School infrastructure improvements for \$255,362.
- Board of Health vehicle purchase for \$20,852.
- Parks vehicle purchase for \$54,330.
- Pappas Complex improvements for \$16,094.

The major capital event during the current fiscal year in the business-type fund included the following:

- Sewer infrastructure improvements for \$842,279.

**Debt Administration.** The Town's outstanding governmental debt, as of June 30, 2018, totaled \$37,369,668, of which \$24,515,000 is for school projects, \$2,825,000 is for land acquisitions, \$20,000 for department equipment, \$477,668 for Dam repairs and road improvements and \$9,532,000 is for various other projects.

The business-type fund has \$1,933,000 in long term sewer debt.

The Town has bond anticipation notes outstanding consisting of \$2,181,290 in the governmental activities as of June 30, 2018 for the middle school project.

The Town also has capital leases in the governmental type fund for the financing of the fire department vehicles, highway vehicles and equipment, and a park vehicle. The last lease is due in 2022. The Town currently owes \$623,333 on the leases consisting of \$580,847 in principal and \$42,486 in interest.

The Town has a capital lease in the business-type fund for financing of the golf course carts and other equipment. The lease is due in 2021. The Town currently owes \$204,800 on the lease consisting of \$193,752 in principal and \$11,048 in interest.

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

### **Next Year's Annual Town Meeting**

The Town of Auburn operates under the "Representative Meeting" concept where each registered voter elects a representative to vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2018 do not reflect the fiscal year 2019 Town Meeting action with the exception of the fund balance (overlay surplus) and stabilization amounts used to fund the 2019 budget.

The Annual Town Meeting on May 1, 2018 authorized a fiscal year 2019 operating and capital budget as follows:

From raise and appropriate		\$ 61,276,611
From sewer user fees	\$ 1,884,751	
From sewer retained earnings	<u>300,000</u>	2,184,751
From golf course fees		338,300
From cable television fees		257,628
From other available funds:		
General Fund:		
Unreserved fund balance:		
Overlay surplus		65,200
Stabilization fund		110,000
Reserve for debt		92,079
Non-major Governmental Funds:		
Ambulance	875,000	
Board of health revolving	12,000	
Capital improvement trust fund	25,000	
Casella waste	50,000	
Cemetery perpetural care fund	8,200	
Central administrative building	127,685	
Dog License Fees	49,000	
Health and recreation trust fund	8,677	
Kitchen Equipment	40,000	
Pension reserve fund	25,000	
Premium and Interest on Bonds	98,270	
Sale of cemetery lots	30,000	
Wetlands protection fees	<u>3,000</u>	1,351,832
		<u>\$ 65,676,401</u>

**Requests for Information**

This financial report is designed to provide a general overview of the Town of Auburn's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, 104 Central Street, Auburn, Massachusetts.

## **BASIC FINANCIAL STATEMENTS**

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and Cash Equivalents	\$ 37,247,818	\$ 2,173,276	\$ 39,421,094
Investments	8,479,317	-	8,479,317
Receivables, net of allowance for uncollectibles:			
Property Taxes	670,000	-	670,000
Deferred Property Taxes	34,771	-	34,771
Tax Liens	877,782	-	877,782
Excise Taxes	230,225	-	230,225
User Charges	-	242,538	242,538
Departmental	875,121	-	875,121
Special Assessments	3,252	14,638	17,890
Due from Other Governments	1,783,241	-	1,783,241
Other	2,175	-	2,175
Total current assets	<u>50,203,702</u>	<u>2,430,452</u>	<u>52,634,154</u>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Special Assessments	-	114,086	114,086
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	9,128,192	1,552,162	10,680,354
Depreciable	96,090,203	6,535,214	102,625,417
Total noncurrent assets	<u>105,218,395</u>	<u>8,201,462</u>	<u>113,419,857</u>
<b>Total Assets</b>	<u>155,422,097</u>	<u>10,631,914</u>	<u>166,054,011</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	6,273,198	236,245	6,509,443
Deferred Outflows Related to OPEB	63,202	733	63,935
	<u>6,336,400</u>	<u>236,978</u>	<u>6,573,378</u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants and Accounts Payable	1,648,522	49,868	1,698,390
Accrued Payroll	2,552,573	11,008	2,563,581
Tax Refund Payable	19,200	-	19,200
Payroll Withholdings	193,891	-	193,891
Accrued Interest	411,241	19,111	430,352
Accrued Claims	598,451	-	598,451
Other	49,831	-	49,831
Compensated Absences	244,398	4,708	249,106
Bond Anticipation Notes Payable	2,181,290	-	2,181,290
Bonds and Leases Payable	4,890,667	254,685	5,145,352
Total current liabilities	<u>12,790,064</u>	<u>339,380</u>	<u>13,129,444</u>
<b>NONCURRENT:</b>			
Compensated Absences	733,194	-	733,194
OPEB Obligation Payable	25,818,104	299,120	26,117,224
Net Pension Liability	40,901,380	1,540,320	42,441,700
Bonds and Leases Payable	33,059,848	1,872,067	34,931,915
Total noncurrent liabilities	<u>100,512,526</u>	<u>3,711,507</u>	<u>104,224,033</u>
<b>Total Liabilities</b>	<u>113,302,590</u>	<u>4,050,887</u>	<u>117,353,477</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions	1,451,004	54,644	1,505,648
Deferred Inflows Related to OPEB	5,716,895	66,234	5,783,129
	<u>7,167,899</u>	<u>120,878</u>	<u>7,288,777</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	65,086,590	5,960,624	71,047,214
Restricted for:			
Capital Projects	2,205,939	439,958	2,645,897
Federal & State Grants	647,493	-	647,493
Debt Service	738,954	-	738,954
Permanent Funds:			
Expendable	637,225	-	637,225
Nonexpendable	1,000,154	-	1,000,154
Other Purposes	4,986,007	-	4,986,007
Unrestricted	(34,014,354)	296,545	(33,717,809)
<b>Total Net Position</b>	<u>\$ 41,288,008</u>	<u>\$ 6,697,127</u>	<u>\$ 47,985,135</u>

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



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

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 3,476,090	\$ 370,583	\$ 652,180	\$ -	\$ (2,453,327)	\$ -	\$ (2,453,327)
Public Safety	8,840,819	2,809,634	171,361	-	(5,859,824)	-	(5,859,824)
Public Works	4,609,570	1,209,165	42,592	609,209	(2,748,604)	-	(2,748,604)
Education	32,751,760	1,471,551	12,460,329	331,520	(18,488,360)	-	(18,488,360)
Health and Human Services	923,470	236,690	64,169	-	(622,611)	-	(622,611)
Culture and Recreation	1,229,163	145,362	78,717	-	(1,005,084)	-	(1,005,084)
Employee Benefits and Insurance	18,509,646	-	5,717,331	-	(12,792,315)	-	(12,792,315)
State Assessments	637,674	-	-	-	(637,674)	-	(637,674)
Interest	1,348,087	-	-	-	(1,348,087)	-	(1,348,087)
<b>Total Governmental Activities</b>	<b>72,326,279</b>	<b>6,242,985</b>	<b>19,186,679</b>	<b>940,729</b>	<b>(45,955,886)</b>	<b>-</b>	<b>(45,955,886)</b>
<b>Business-Type Activities:</b>							
Sewer	2,776,937	2,627,846	6,395	-	-	(142,696)	(142,696)
Pakachoag Golf Course	349,209	401,819	3,202	-	-	55,812	-
<b>Total Primary Government</b>	<b>\$ 75,452,425</b>	<b>\$ 9,272,650</b>	<b>\$ 19,196,276</b>	<b>\$ 940,729</b>	<b>(45,955,886)</b>	<b>(86,884)</b>	<b>(46,042,770)</b>
<b>General Revenues:</b>							
Property Taxes					41,177,408	-	41,177,408
Motor vehicle excise and other taxes					3,230,617	-	3,230,617
Hotel room occupancy and meals taxes					1,238,584	-	1,238,584
Penalties & Interest on taxes					269,730	-	269,730
Grants & Contributions not restricted to specific programs					2,089,999	-	2,089,999
Unrestricted Investment Income					66,212	-	66,212
<b>Contributions to Permanent Funds</b>					30,990	-	30,990
<b>Transfers, net</b>					284,594	(284,594)	-
<b>Total General Revenues, Contributions and Transfers</b>					<b>48,388,134</b>	<b>(284,594)</b>	<b>48,103,540</b>
<b>Change in Net Position</b>					2,432,248	(371,478)	2,060,770
<b>Net Position:</b>							
Beginning of year (as restated)					38,855,760	7,068,605	45,924,365
End of year					<b>\$ 41,288,008</b>	<b>\$ 6,697,127</b>	<b>\$ 47,985,135</b>

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

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

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 19,013,331	\$ 8,656,100	\$ 27,669,431
Investments	3,312,658	5,166,659	8,479,317
Receivables, net of allowance for uncollectibles:			
Property Taxes	670,000	-	670,000
Deferred Taxes	34,771	-	34,771
Tax Liens	877,782	-	877,782
Excise Taxes	230,225	-	230,225
Departmental	112,625	504,987	617,612
Special Assessments	3,252	-	3,252
Due from Other Governments	153,438	1,629,803	1,783,241
Other	2,175	-	2,175
<b>Total Assets</b>	<b>\$ 24,410,257</b>	<b>\$ 15,957,549</b>	<b>\$ 40,367,806</b>
<b>Liabilities:</b>			
Warrants and Accounts Payable	\$ 989,541	\$ 496,872	\$ 1,486,413
Accrued Payroll	2,537,214	15,281	2,552,495
Tax Refund Payable	19,200	-	19,200
Employee Withholdings	40,054	-	40,054
Other	49,831	-	49,831
Bond Anticipation Notes Payable	-	2,181,290	2,181,290
<b>Total Liabilities</b>	<b>3,635,840</b>	<b>2,693,443</b>	<b>6,329,283</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue	1,853,286	557,254	2,410,540
<b>Fund Balances:</b>			
Nonspendable	-	1,000,154	1,000,154
Restricted	738,954	7,476,762	8,215,716
Committed	-	5,545,382	5,545,382
Assigned	1,765,443	-	1,765,443
Unassigned	16,416,734	(1,315,446)	15,101,288
<b>Total Fund Balance</b>	<b>18,921,131</b>	<b>12,706,852</b>	<b>31,627,983</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 24,410,257</b>	<b>\$ 15,957,549</b>	<b>\$ 40,367,806</b>

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

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property Taxes	\$ 41,284,577	\$ -	\$ 41,284,577
Intergovernmental	12,156,880	3,550,141	15,707,021
Excise and Other Taxes	4,467,893	-	4,467,893
Charges for Services	1,203,103	3,791,381	4,994,484
Licenses, Permits, Fees	1,287,407	-	1,287,407
Interest on Taxes	269,730	-	269,730
Investment Income	66,212	(65,070)	1,142
Intergovernmental - "On-behalf" Payments	5,693,613	-	5,693,613
Gifts and Donations	-	87,658	87,658
Other	-	515,079	515,079
<b>Total Revenues</b>	<b>66,429,415</b>	<b>7,879,189</b>	<b>74,308,604</b>
<b>Expenditures:</b>			
Current:			
General Government	3,272,451	541,399	3,813,850
Public Safety	7,834,410	850,651	8,685,061
Public Works	3,698,773	813,414	4,512,187
Education	26,075,630	5,512,413	31,588,043
Health and Human Services	813,136	64,309	877,445
Culture and Recreation	877,829	186,932	1,064,761
Employee Benefits and Insurance	16,044,574	-	16,044,574
State Assessments	637,674	-	637,674
Debt Service:			
Principal	4,591,630	-	4,591,630
Interest	1,383,523	-	1,383,523
<b>Total Expenditures</b>	<b>65,229,630</b>	<b>7,969,118</b>	<b>73,198,748</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,199,785</b>	<b>(89,929)</b>	<b>1,109,856</b>
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	1,661,683	306,000	1,967,683
Operating Transfers Out	(306,000)	(1,377,089)	(1,683,089)
Capital Lease	-	119,970	119,970
Premium on Issuance of Bonds	111,821	90,451	202,272
Proceeds from Issuance of Bonds	-	3,389,000	3,389,000
<b>Total Other Financing Sources (Uses)</b>	<b>1,467,504</b>	<b>2,528,332</b>	<b>3,995,836</b>
<b>Net Change in Fund Balances</b>	<b>2,667,289</b>	<b>2,438,403</b>	<b>5,105,692</b>
<b>Fund Balances, Beginning of Year</b>	<b>16,253,842</b>	<b>10,268,449</b>	<b>26,522,291</b>
<b>Fund Balances, End of Year</b>	<b>\$ 18,921,131</b>	<b>\$ 12,706,852</b>	<b>\$ 31,627,983</b>

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

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

<b>Total Governmental Fund Balances</b>		\$ 31,627,983
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.		105,218,395
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		2,410,540
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.		(831,499)
Long term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:		
Bonds and lease payable	\$ (37,950,515)	
OPEB obligation payable	(25,818,104)	
Net Pension Liability	(40,901,380)	
Compensated absences	<u>(977,592)</u>	(105,647,591)
Internal Service funds are used by management to account for health insurance activities. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		8,921,421
In statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due.		<u>(411,241)</u>
<b>Net Position of Governmental Activities</b>		<u><u>\$ 41,288,008</u></u>

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

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>		\$ 5,105,692
<p>Governmental Funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:</p>		
Capital outlay purchases	\$ 3,321,762	
Depreciation	<u>(4,999,692)</u>	(1,677,930)
<p>Revenue in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.</p>		
		(78,869)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:</p>		
Repayment of debt and lease principal	4,874,335	
Proceeds from bonds	(3,389,000)	
Proceeds from capital lease	<u>(119,970)</u>	1,365,365
<p>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 governmental funds:</p>		
Net change in compensated absences	105,700	
Net change in opeb liability obligation	5,522,274	
Net change in deferred outflow/(inflow) of resources related to opeb	(5,648,805)	
Net change in net pension liability	(1,991,666)	
Net change in deferred outflow/(inflow) of resources related to pensions	(1,214,673)	
Net change in accrued interest on long-term debt	<u>35,436</u>	(3,191,734)
<p>Internal Service funds are used by management to account for health insurance activities:</p>		
The net activity of internal service funds is reported with governmental activities		<u>909,724</u>
<b>Change in Net Position of Governmental Activities</b>		<u><u>\$ 2,432,248</u></u>

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

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

	<u>Budgeted Amounts</u>				Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried		Actual			
	Forward from Prior Year	Original Budget	Final Budget	Budgetary Basis		
<b>Revenues:</b>						
Property Taxes	\$ -	\$ 40,751,488	\$ 41,049,538	\$ 41,232,777	\$ -	\$ 183,239
Intergovernmental	-	12,153,024	12,153,024	12,156,880	-	3,856
Excise and Other Taxes	-	3,798,654	3,798,654	4,467,893	-	669,239
Charges for Services	-	1,085,000	1,085,000	1,203,103	-	118,103
Licenses, Permits, Fees	-	728,776	728,776	1,287,407	-	558,631
Interest on Taxes	-	225,000	225,000	269,730	-	44,730
Investment Income	-	50,000	50,000	94,477	-	44,477
<b>Total Revenues</b>	-	58,791,942	59,089,992	60,712,267	-	1,622,275
<b>Expenditures:</b>						
Current:						
General Government	156,411	3,465,561	3,700,852	3,272,451	368,805	59,596
Public Safety	33,657	7,825,350	7,948,841	7,834,410	63,556	50,875
Public Works	75,025	3,931,300	4,302,543	3,698,773	517,271	86,499
Education	512,539	26,406,444	26,646,099	26,075,630	569,329	1,140
Health and Human Services	20,987	782,554	834,725	813,136	7,537	14,052
Culture and Recreation	33,291	947,365	977,372	877,829	29,437	70,106
Employee Benefits and Insurance	33,019	10,584,713	10,777,132	10,350,961	34,308	391,863
State Assessments	-	656,198	656,198	637,674	-	18,524
Debt Service:						
Principal	-	4,591,630	4,591,630	4,591,630	-	-
Interest	-	1,392,859	1,383,525	1,383,523	-	2
<b>Total Expenditures</b>	864,929	60,583,974	61,818,917	59,536,017	1,590,243	692,657
<b>Excess of Revenues Over (Under) Expenditures</b>	(864,929)	(1,792,032)	(2,728,925)	1,176,250	(1,590,243)	2,314,932
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	-	1,608,719	1,661,683	1,661,683	-	-
Operating Transfers Out	-	-	(656,000)	(656,000)	-	-
Premium on Issuance of Bonds	-	-	-	111,821	-	111,821
<b>Total Other Financing Sources (Uses)</b>	-	1,608,719	1,005,683	1,117,504	-	111,821
<b>Net Change in Budgetary Fund Balance</b>	(864,929)	(183,313)	(1,723,242)	\$ 2,293,754	\$ (1,590,243)	\$ 2,426,753
<b>Other Budgetary Items:</b>						
Free Cash and Other Reserves	-	183,313	858,313			
Prior Year Deficits	-	-	-			
Prior Year Encumbrances	864,929	-	864,929			
<b>Total Other Budgetary Items</b>	864,929	183,313	1,723,242			
<b>NET BUDGET</b>	\$ -	\$ -	\$ -			

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

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

	<b>Revenues</b>	<b>Expenditures</b>
<b>Reported on a Budgetary Basis</b>	<b>\$ 60,712,267</b>	<b>\$ 59,536,017</b>
<i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	(28,265)	-
Net Decrease in Revenue from recording Refund Taxes Payable	(2,200)	-
Net Increase in Revenue from Recording 60-Day Receipts	54,000	-
Recognition of Intergovernmental Revenue - "on behalf payments"	5,693,613	-
Recognition of Expenditures - "on behalf payments"	-	5,693,613
<b>Reported on a GAAP Basis</b>	<b>\$ 66,429,415</b>	<b>\$ 65,229,630</b>

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

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

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Pakachoag Golf Course Fund	Total	
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and Cash Equivalents	\$ 2,032,359	\$ 140,917	\$ 2,173,276	\$ 9,578,387
User Charges, net of allowance for uncollectibles	242,538	-	242,538	-
Departmental	-	-	-	257,509
Special Assessments	14,638	-	14,638	-
Total current assets	<u>2,289,535</u>	<u>140,917</u>	<u>2,430,452</u>	<u>9,835,896</u>
<b>NONCURRENT:</b>				
Special Assessments	114,086	-	114,086	-
Capital Assets, net of accumulated depreciation:				
Nondepreciable	1,552,162	-	1,552,162	-
Depreciable	6,228,195	307,019	6,535,214	-
Total noncurrent assets	<u>7,894,443</u>	<u>307,019</u>	<u>8,201,462</u>	<u>-</u>
<b>Total Assets</b>	<u>10,183,978</u>	<u>447,936</u>	<u>10,631,914</u>	<u>9,835,896</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows Related to Pensions	201,026	35,219	236,245	-
Deferred Outflows Related to OPEB	698	35	733	-
	<u>201,724</u>	<u>35,254</u>	<u>236,978</u>	<u>-</u>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Accounts Payable	49,868	-	49,868	162,109
Accrued Payroll	7,737	3,271	11,008	78
Payroll Withholdings	-	-	-	153,837
Accrued Interest	19,111	-	19,111	-
Accrued Claims	-	-	-	598,451
Compensated Absences	3,512	1,196	4,708	-
Bonds and Leases Payable	192,000	62,685	254,685	-
Total current liabilities	<u>272,228</u>	<u>67,152</u>	<u>339,380</u>	<u>914,475</u>
<b>NONCURRENT:</b>				
OPEB Obligation Payable	284,991	14,129	299,120	-
Net Pension Liability	1,310,692	229,628	1,540,320	-
Bonds and Leases Payable	1,741,000	131,067	1,872,067	-
Total noncurrent liabilities	<u>3,336,683</u>	<u>374,824</u>	<u>3,711,507</u>	<u>-</u>
<b>Total Liabilities</b>	<u>3,608,911</u>	<u>441,976</u>	<u>4,050,887</u>	<u>914,475</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows Related to Pensions	46,498	8,146	54,644	-
Deferred Inflows Related to OPEB	63,104	3,130	66,234	-
	<u>109,602</u>	<u>11,276</u>	<u>120,878</u>	<u>-</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	5,847,357	113,267	5,960,624	-
Restricted for Capital Projects	439,958	-	439,958	-
Unrestricted	379,874	(83,329)	296,545	8,921,421
<b>Total Net Position</b>	<u>\$ 6,667,189</u>	<u>\$ 29,938</u>	<u>\$ 6,697,127</u>	<u>\$ 8,921,421</u>

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



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

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Pakachoag Golf Course Fund	Total	
<b>Operating Revenues:</b>				
Employer Contributions	\$ -	\$ -	\$ -	\$ 5,731,888
Employee/Retirees Contributions	-	-	-	1,757,703
Charges for Services	2,601,240	401,819	3,003,059	-
Other	19,240	-	19,240	318,325
<b>Total Operating Revenues</b>	<b>2,620,480</b>	<b>401,819</b>	<b>3,022,299</b>	<b>7,807,916</b>
<b>Operating Expenses:</b>				
Salaries & Wages	406,164	148,075	554,239	-
Operating Expenses	1,758,801	137,542	1,896,343	390,183
Depreciation	551,451	63,592	615,043	-
Employee Benefits and Insurance	-	-	-	6,549,935
<b>Total Operating Expenses</b>	<b>2,716,416</b>	<b>349,209</b>	<b>3,065,625</b>	<b>6,940,118</b>
<b>Operating Income (Loss)</b>	<b>(95,936)</b>	<b>52,610</b>	<b>(43,326)</b>	<b>867,798</b>
<b>Non-Operating Revenues (Expenses):</b>				
Investment Income	6,395	3,202	9,597	41,926
Special Assessments	7,366	-	7,366	-
Interest Expense	(60,521)	-	(60,521)	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(46,760)</b>	<b>3,202</b>	<b>(43,558)</b>	<b>41,926</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>(142,696)</b>	<b>55,812</b>	<b>(86,884)</b>	<b>909,724</b>
<b>Operating Transfers:</b>				
Transfers In/(Out)	(249,501)	(35,093)	(284,594)	-
<b>Total Operating Transfers</b>	<b>(249,501)</b>	<b>(35,093)</b>	<b>(284,594)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(392,197)</b>	<b>20,719</b>	<b>(371,478)</b>	<b>909,724</b>
<b>Net Position at Beginning of Year (as restated)</b>	<b>7,059,386</b>	<b>9,219</b>	<b>7,068,605</b>	<b>8,011,697</b>
<b>Net Position at End of Year</b>	<b>\$ 6,667,189</b>	<b>\$ 29,938</b>	<b>\$ 6,697,127</b>	<b>\$ 8,921,421</b>

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

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

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Pakachoag Golf Course Fund	Total	
	\$	\$	\$	
<b>Cash Flows From Operating Activities:</b>				
Receipts from Customers and Users	2,605,206	401,819	3,007,025	-
Receipts from Other Revenues	19,240	-	19,240	158,119
Receipts from Interfund Services Provided	-	-	-	7,503,712
Payments to Vendors and Employees	(2,141,020)	(258,436)	(2,399,456)	-
Payments for Interfund Services Used	-	-	-	(6,617,371)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>483,426</b>	<b>143,383</b>	<b>626,809</b>	<b>1,044,460</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers from (to) Other Funds	(249,501)	(35,093)	(284,594)	-
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(249,501)</b>	<b>(35,093)</b>	<b>(284,594)</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Special Assessments	42,697	-	42,697	-
Acquisition and Construction of Capital Assets	(842,279)	-	(842,279)	-
Principal Payments on Bonds and Leases	(193,000)	(60,859)	(253,859)	-
Interest Expense	(62,061)	-	(62,061)	-
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(1,054,643)</b>	<b>(60,859)</b>	<b>(1,115,502)</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>				
Investment Income	6,395	3,202	9,597	41,926
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>6,395</b>	<b>3,202</b>	<b>9,597</b>	<b>41,926</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(814,323)</b>	<b>50,633</b>	<b>(763,690)</b>	<b>1,086,386</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>2,846,682</b>	<b>90,284</b>	<b>2,936,966</b>	<b>8,492,001</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,032,359</b>	<b>\$ 140,917</b>	<b>\$ 2,173,276</b>	<b>\$ 9,578,387</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>				
<b>Operating Income (Loss)</b>	<b>\$ (95,936)</b>	<b>\$ 52,610</b>	<b>\$ (43,326)</b>	<b>\$ 867,798</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>				
Depreciation	551,451	63,592	615,043	-
Deferred (Outflows)/Inflows of Resources Related to Pensions	54,191	4,468	58,659	-
Deferred (Outflows)/Inflows of Resources Related to OPEB	62,354	3,091	65,445	-
Change in Assets and Liabilities:				
Increase (Decrease) in Warrants Payable/Accounts Payable	3,204	(1,050)	2,154	35,456
Increase (Decrease) in Accrued Payroll	347	(515)	(168)	1
Increase (Decrease) in Payroll Withholdings	-	-	-	14,121
Increase (Decrease) in Accrued Claims	-	-	-	287,290
Increase (Decrease) in OPEB Liability	(60,957)	(3,023)	(63,980)	-
Increase (Decrease) in Net Pension Liability	(34,575)	26,336	(8,239)	-
Increase (Decrease) in Compensated Absences	(619)	(2,126)	(2,745)	-
Decrease (Increase) in User Charges Receivable	3,966	-	3,966	-
Decrease (Increase) in Departmental	-	-	-	(160,206)
<b>Total Adjustments</b>	<b>579,362</b>	<b>90,773</b>	<b>670,135</b>	<b>176,662</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 483,426</b>	<b>\$ 143,383</b>	<b>\$ 626,809</b>	<b>\$ 1,044,460</b>

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

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

	<b>Other Post Employment Benefits Trust Fund</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ 400	\$ 221,066
Investments	3,857,201	107,422	-
<b>Total Assets</b>	<b>3,857,201</b>	<b>107,822</b>	<b>221,066</b>
<b>LIABILITIES</b>			
Warrants Payable	-	-	6,181
Escrows and Deposits	-	-	108,495
Due to Students	-	-	106,390
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>221,066</b>
<b>NET POSITION</b>			
Held in Trust for Other Purposes	\$ 3,857,201	\$ 107,822	\$ -

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

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

	<b>Other Post Employment Benefits Trust Fund</b>	<b>Private Purpose Trust Funds</b>
<b>Additions</b>		
Contributions:		
Employer	\$ 2,079,173	\$ -
Private Donations	-	3,560
Total Contributions	2,079,173	3,560
Investment Income	170,792	(1,475)
<b>Total Additions</b>	<b>2,249,965</b>	<b>2,085</b>
<b>Deductions:</b>		
Educational Scholarships	-	8,565
Employee Benefits and Insurance	1,404,173	-
<b>Total Deductions</b>	<b>1,404,173</b>	<b>8,565</b>
<b>Change in Net Position</b>	<b>845,792</b>	<b>(6,480)</b>
<b>Net Position at Beginning of Year</b>	<b>3,011,409</b>	<b>114,302</b>
<b>Net Position at End of Year</b>	<b>\$ 3,857,201</b>	<b>\$ 107,822</b>

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The Town was incorporated in 1778 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected five-member Board of Selectmen.

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

The Town is responsible for electing the governing board and/or committee members of the Auburn Housing Authority, Auburn Water District, Elm Hill Water District, Woodland Water District, Southern Worcester County Regional Vocational School District, and the Upper Blackstone Water Pollution Abatement District. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board members. Audited financial statements are available from the respective organizations. Descriptions of the related organizations follow:

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

**Auburn Water District, Elm Hill Water District and Woodland Water District** – Water districts which provide water services to the residents of the Town. The districts are autonomous and self-sufficient units under the General Laws of the Commonwealth of Massachusetts. The Town has no significant influence over management, budget or policies of the districts.

**Southern Worcester County Regional Vocational School District** - A regional school district made up of ten communities to serve and provide a learning environment in specific career areas. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town elects two district committee members for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

**Upper Blackstone Water Pollution Abatement District** - A district made up of the Town of Auburn and the City of Worcester that provides treatment for sewerage. The district is responsible for the operating costs related to the district and operates independently from the Town.

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

**B. Government-Wide and Fund Financial Statements**

**Government-wide financial statements**

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

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

**Fund financial statements**

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

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

**Major Fund Criteria**

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

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

*and*

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

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

Proprietary and fiduciary funds are reported by fund type.

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

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

**Government-wide financial statements**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

**Fund financial statements**

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

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

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

The Town reports the following major governmental funds:

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

The Town reports the following major proprietary funds:

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

The *Pakachoag Golf Course fund* is used to account for golf course activities.

The *internal service fund* is used to account for the activity in the health insurance fund.

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

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

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

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

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

Additionally, the Town reports the following fund types:

*Fiduciary fund* financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs. The Town reports the following fiduciary funds:

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

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

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

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

#### **D. Cash and Cash Equivalents**

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

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

Investment income from proprietary funds is maintained in those funds.



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

**E. Investments**

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

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

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

Level 3 inputs are unobservable for the asset or liability.

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

Additional investment disclosures are presented in these Notes.

**F. Receivables**

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

**Property Taxes, Deferred Property Taxes, Tax Liens, and Taxes in Litigation**

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

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

The Town mailed preliminary tax bills for the fiscal year 2018 on June 30, 2017 and September 28, 2017, that were due on August 1, 2017 and November 1, 2017 and actual bills on December 28, 2017 and March 29, 2018 that were due on February 1, 2018 and May 1, 2018.

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

Legal Levy Limit Under Proposition 2 1/2 for fiscal year 2018	\$ 43,089,839
Add: Debt Exclusion	<u>2,952,945</u>
Maximum Allowable Levy	<u><u>\$ 46,042,784</u></u>

The total amount raised by taxation was \$41,465,456.

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

**Excise Taxes**

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

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

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

**User Charges**

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

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

**Departmental**

Departmental receivables consist primarily of trash fees, ambulance fees, stop-loss claims and police off-duty details.

The allowance for uncollectibles relates to trash fees, ambulance fees and police off duty are based upon historical trends. The other departmental receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

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

**Special Assessments**

Special assessments consist of the sewer betterments in the general fund and in the business-type funds.

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

**Due from Other Governments**

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

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

**G. Capital Assets**

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

All purchase and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

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

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

**H. Interfund Transfers**

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

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

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

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

**I. Deferred Outflows/Inflows of Resources**

**Government-wide financial statements**

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

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

**Fund financial statements**

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

**J. Net Position and Fund Balances**

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

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

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

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

"Debt service" represents funds that are reserved for future years' debt service.

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

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

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

“Other purposes” represents restrictions placed on assets from outside parties.

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

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

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

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

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

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

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

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

**K. Long-term Debt**

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

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

**L. Compensated Absences**

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

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

**M. Pension Benefits**

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

**N. Post Retirement Benefits**

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

**O. Use of Estimates**

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

**P. Total Column**

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

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

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

- Estimates are submitted by departments to the Chief Financial Officer and Town Manager on or before the second Monday in January.
- The Chief Financial Officer prepares and administers the Town budget.
- Budgets are given to the finance committee for review by the first week in March.
- Finance committee reviews budget requests, prepares a budget report and recommendations which is distributed to Town meeting members prior to the annual Town meeting.
- The budget is legally enacted by vote of Town meeting members at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.
- Throughout the year appropriations may be transferred between departments with Town meeting approval.
- The Town Manager can also present an alternative budget at the Town Meeting if there is not a finance committee consensus.

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

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

For fiscal year 2018, the Town incurred a final budget deficit of \$1,723,242 for the General Fund.

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

Unassigned fund balance:	
Free cash votes	\$ 675,000
Overlay surplus	100,000
Reserve for debt	83,313
Prior year's encumbrances	864,929
	\$ 1,723,242
	\$ 1,723,242

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

**B. Deficit Fund Balances**

The following funds have deficits at June 30, 2018 as measured by the balance of unreserved fund balance.

- The *Middle School Construction Fund*, a capital and Massachusetts School Building Administration (MSBA) project, has a deficit of \$1,315,446. The Town has outstanding bond anticipation notes for \$2,181,290. The deficit will be eliminated upon the future receipt of grant funds or upon the issuance of permanent debt.

**3. DETAILED NOTES**

**A. Deposits and Investments**

**Custodial Credit Risks – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2018 were \$39,665,776. Of these, none are exposed to custodial credit risk as uninsured and uncollateralized.

**Investment Policies**

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

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



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

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

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>	
		<b>Less Than 1</b>	<b>1 to 5</b>
<b>Debt Securities:</b>			
U. S. treasury obligations	\$ 1,411,133	\$ 1,194,074	\$ 217,059
U. S. government agencies	1,944,187	-	1,944,187
Bond mutual funds	1,425,350	-	1,425,350
Corporate bonds	1,816,515	100,209	1,716,306
Money market mutual fund	142,714	142,714	-
	<u>6,739,899</u>	<u>\$ 1,436,997</u>	<u>\$ 5,302,902</u>
<b>Other Investments:</b>			
Certificate of deposits	1,726,981		
Equity mutual funds	2,418,587		
Equity securities - domestic (stocks)	1,242,074		
MMDT	316,399		
	<u>\$ 12,443,940</u>		

**Custodial Credit Risks**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$12,443,940 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

**Interest Rate Risk**

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

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

**Credit Risk**

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

Related Debt Instruments	Fair Value
<b>Moody's Quality Ratings</b>	
<b><i>U. S. Treasury Obligations:</i></b>	
Aaa	\$ 1,411,133
<b><i>U. S. Government Agencies:</i></b>	
Aaa	1,944,187
<b><i>Corporate Bonds:</i></b>	
A2	244,370
A3	816,615
Baa1	167,605
Baa2	587,925
<b><i>Bond Mutual Funds:</i></b>	
Not rated	1,425,350
<b><i>Money Market Mutual Funds:</i></b>	
Not rated	142,714
	\$ 6,739,899

**Concentration of Credit Risk**

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are Federal Home Loan Mortgage Corp amounting to 12.61% of the Town's total investments.

**Fair Value of Investments**

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

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

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

Investment Type	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U. S. treasury obligations	\$ 1,411,133	\$ 1,411,133	\$ -	\$ -
U. S. government agencies	1,944,187	1,944,187	-	-
Certificates of deposit	1,726,981	1,726,981	-	-
Equity mutual funds	2,418,587	2,418,587	-	-
Equity securities - domestic	1,242,074	1,242,074	-	-
Money market mutual fund	142,714	142,714	-	-
Bond mutual funds	1,425,350	-	1,425,350	-
Corporate bonds	1,816,515	-	1,816,515	-
	12,127,541	\$ 8,885,676	\$ 3,241,865	\$ -
Investments Measured at Amortized Cost:				
External Investment Pools (MMDT)	316,399			
<b>Total Investments</b>	<b>\$ 12,443,940</b>			

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

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

**B. Receivables**

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Major and nonmajor governmental funds:</b>			
Property taxes	\$ 807,708	\$ (137,708)	\$ 670,000
Deferred property taxes	37,222	(2,451)	34,771
Tax liens	877,782	-	877,782
Excise taxes	321,389	(91,164)	230,225
Departmental	1,073,377	(455,765)	617,612
Special assessments	3,252	-	3,252
Due from other governments	1,783,241	-	1,783,241
	<b>\$ 4,903,971</b>	<b>\$ (687,088)</b>	<b>\$ 4,216,883</b>

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

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

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Sewer Fund:</b>			
Sewer user charges	\$ 210,825	\$ (4,000)	\$ 206,825
Sewer tax liens	35,713	-	35,713
Special assessments	128,724	-	128,724
	\$ 375,262	\$ (4,000)	\$ 371,262

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

**Governmental Funds:**

**General Fund:**

***Commonwealth of Massachusetts:***

Department of Revenue:

Veterans, blind and surviving spouses

	\$ 97,807	
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Department of Veterans Services:

Veterans benefits	55,631	\$ 153,438
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**Nonmajor Governmental Funds:**

***U. S. Department of Agriculture:***

School lunch

	27,803	
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***U. S. Department of Education:***

School title grants

	131,087	
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***Commonwealth of Massachusetts:***

Department of Elementary and Secondary Education:

School lunch

	755	
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Massachusetts Department of Transportation:

Highway Department - Chapter 90 funds

	737,315	
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Massachusetts School Building Assistance:

School building assistance	732,843	1,629,803
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	\$ 1,783,241	
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**TOWN OF AUBURN, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**C. Deferred Inflows of Resources – Unavailable Revenue**

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

<b>General Fund:</b>			
Property taxes	\$	539,000	
Deferred property taxes		34,772	
Tax liens		877,782	
Excise taxes		230,225	
Departmental		112,624	
Special assessments		3,252	
Due from other governments		55,631	\$ 1,853,286
<hr/>			
<b>Nonmajor Governmental Funds:</b>			
Departmental		504,987	
Due from other governments		52,267	557,254
		<hr/>	<hr/>
		\$	<u>2,410,540</u>

**D. Capital Assets**

Capital asset activities for the year ended June 30, 2018 is as follows;

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 8,597,663	\$ 157,600	\$ -	\$ 8,755,263
Construction in progress	312,159	887,974	(827,204)	372,929
Total capital assets not being depreciated	<hr/> 8,909,822	<hr/> 1,045,574	<hr/> (827,204)	<hr/> 9,128,192
Capital assets being depreciated:				
Buildings and Renovations	109,379,387	1,751,093	-	111,130,480
Machinery, equipment and other	11,755,950	477,489	(62,875)	12,170,564
Infrastructure	29,161,163	874,810	-	30,035,973
Total capital assets being depreciated	<hr/> 150,296,500	<hr/> 3,103,392	<hr/> (62,875)	<hr/> 153,337,017
Less accumulated depreciation for:				
Buildings and Renovations	27,683,830	3,370,278	-	31,054,108
Machinery, equipment and other	9,200,935	734,292	(62,875)	9,872,352
Infrastructure	15,425,232	895,122	-	16,320,354
Total accumulated depreciation	<hr/> 52,309,997	<hr/> 4,999,692	<hr/> (62,875)	<hr/> 57,246,814
Total capital assets being depreciated, net	<hr/> 97,986,503	<hr/> (1,896,300)	<hr/> -	<hr/> 96,090,203
Total governmental activities capital assets, net	<hr/> <u>\$ 106,896,325</u>	<hr/> <u>\$ (850,726)</u>	<hr/> <u>\$ (827,204)</u>	<hr/> <u>\$ 105,218,395</u>

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

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 503,030	\$ -	\$ -	\$ 503,030
Construction in progress	288,733	760,399	-	1,049,132
Total capital assets not being depreciated	791,763	760,399	-	1,552,162
Capital assets being depreciated:				
Buildings and Renovations	4,833,213	-	-	4,833,213
Machinery, equipment and other	2,306,585	-	-	2,306,585
Infrastructure	18,558,390	81,880	-	18,640,270
Total capital assets being depreciated	25,698,188	81,880	-	25,780,068
Less accumulated depreciation for:				
Buildings and Renovations	4,123,396	96,664	-	4,220,060
Machinery, equipment and other	1,651,184	124,243	-	1,775,427
Infrastructure	12,855,231	394,136	-	13,249,367
Total accumulated depreciation	18,629,811	615,043	-	19,244,854
Total capital assets being depreciated, net	7,068,377	(533,163)	-	6,535,214
Total business-type activities capital assets, net	\$ 7,860,140	\$ 227,236	\$ -	\$ 8,087,376

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

**Governmental Activities:**

General government	\$ 41,022
Public safety	461,857
Public works	1,093,786
Education	3,102,612
Health and human services	66,621
Culture and recreation	233,794
Total depreciation expense - governmental activities	<u>\$ 4,999,692</u>

**Business-Type Activities:**

Sewer fund	\$ 551,451
Pakachoag golf course fund	63,592
Total depreciation expense - business-type activities	<u>\$ 615,043</u>

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

**E. Interfund Receivables, Payables and Transfers**

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

Transfers Out:	Transfers In:		Total
	General fund	Nonmajor Governmental fund	
General fund	\$ -	\$ 306,000	\$ 306,000
Nonmajor governmental funds	1,377,089	-	1,377,089
Business-type fund	284,594	-	284,594
Total transfers out	\$ 1,661,683	\$ 306,000	\$ 1,967,683

**F. Leases**

The Town has entered into lease agreements as lessee for financing of the government activities fire department vehicles and highway vehicles, and business-type activities golf course carts. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follows:

Asset:	Governmental Activities	Business-type Activities
Machinery, Equipment and Other	\$ 1,704,486	\$ 393,929
Less: Accumulated Depreciation	(478,674)	(110,163)
Total	\$ 1,225,812	\$ 283,766

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 are as follows:

Year Ending June 30,	Governmental Activities	Business-type Activities
2019	\$ 254,245	\$ 68,267
2020	150,220	68,266
2021	115,522	68,267
2022	103,346	-
Total minimum lease payments	623,333	204,800
Less: amount representing interest	(42,486)	(11,048)
Present value of minimum lease payments	\$ 580,847	\$ 193,752

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

**G. Short-Term Financing**

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

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

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2017	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2018
<b>Governmental Activities</b>						
<b>Bond Anticipation Notes:</b>						
Fy2017 Capital improvements	1.50%	9/15/2017	\$ 622,000	\$ -	\$ 622,000	\$ -
Middle School project	1.50%	9/15/2017	3,583,666	-	3,583,666	-
Middle School project	1.24%	9/14/2018	-	1,950,666	-	1,950,666
Middle School project	1.94%	9/14/2018	-	230,624	-	230,624
Total Governmental Activities			<u>\$ 4,205,666</u>	<u>\$ 2,181,290</u>	<u>\$ 4,205,666</u>	<u>\$ 2,181,290</u>

**H. Long Term Debt**

**General Obligation Bonds**

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



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

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

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2018
<b>Inside Debt:</b>					
General Obligation Bonds 2009:					
Remodeling Projects	3.0-5.0%	9/1/2008	9/1/2018	949,060	90,000
Departmental Equipment	3.0-5.0%	9/1/2008	9/1/2018	830,819	20,000
Drainage	3.0-5.0%	9/1/2008	9/1/2018	859,121	5,000
Dam Repairs	3.0-5.0%	9/1/2008	9/1/2018	60,000	5,000
General	3.0-5.0%	9/1/2008	9/1/2018	100,000	5,000
General Obligation Bonds 2012	.97-1.4%	3/22/2012	3/15/2026	7,436,000	3,245,000
General Obligation Bonds 2013	.84-1.47%	1/15/2013	1/15/2023	4,434,027	1,687,000
General Obligation Bonds 2014:					
School Construction	2.0-4.0%	4/1/2014	6/1/2024	9,970,000	6,225,000
Land Acquisition	2.0-4.0%	4/1/2014	6/1/2024	755,000	475,000
Municipal Purpose Loan 2014:					
Various projects	2.63%	9/15/2014	9/15/2034	1,827,667	1,175,000
Land Acquisition	2.63%	9/15/2014	9/15/2020	150,000	65,000
School Construction	2.63%	9/15/2014	9/15/2020	795,000	400,000
General Obligation Bonds 2015:					
Various projects	2.52%	9/1/2015	9/1/2025	2,659,500	1,959,000
Land Acquisition	2.52%	9/1/2015	9/1/2025	2,865,000	2,285,000
Road improvements	2.52%	9/1/2015	9/1/2025	2,200,000	176,000
Municipal Purpose Loan 2017:					
Various projects	1.93%	9/5/2017	9/1/2027	1,456,000	1,456,000
<b>Massachusetts Clean Water Trust:</b>					
Stormwater Development	2.00%	3/18/2009	7/15/2028	346,216	206,668
Total Inside Debt					19,479,668
<b>Outside Debt:</b>					
Municipal Purpose Loan 2014:					
Middle School Construction	2.63%	9/15/2014	9/15/2034	13,653,000	11,590,000
Municipal Purpose Loan 2015:					
Middle School Construction	2.52%	9/1/2015	9/1/2025	5,000,000	4,500,000
Municipal Purpose Loan 2017:					
Middle School Construction	2.05%	9/5/2017	9/1/2032	1,800,000	1,800,000
Total Outside Debt					17,890,000
<b>Total governmental type debt</b>					<b>\$ 37,369,668</b>

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

**Future Debt Service**

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

Year	Principal	Interest	Total
2019	\$ 4,655,966	\$ 1,239,850	\$ 5,895,816
2020	4,356,309	1,094,863	5,451,172
2021	4,067,659	943,734	5,011,393
2022	3,733,015	805,602	4,538,617
2023	3,513,379	651,088	4,164,467
2024-2028	9,662,617	1,732,244	11,394,861
2029-2033	5,270,723	736,645	6,007,368
2034-2036	2,110,000	81,119	2,191,119
	<u>\$ 37,369,668</u>	<u>\$ 7,285,145</u>	<u>\$ 44,654,813</u>

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

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2018
<b>Sewer Fund:</b>					
<b>Inside Debt:</b>					
Sewer system repairs	1.86%	3/22/2012	3/15/2026	\$ 1,200,000	\$ 680,000
Total Inside Debt					<u>680,000</u>
<b>Outside Debt:</b>					
Sewer mains design and construction	1.27%	1/15/2013	1/15/2020	313,000	83,000
Sewer mains	2.52%	9/1/2015	9/1/2035	1,300,000	1,170,000
Total Outside Debt					<u>1,253,000</u>
<b>Total Business-type debt</b>					<u><u>\$ 1,933,000</u></u>

**Future Debt Service**

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

Year	Principal	Interest	Total
2019	\$ 192,000	\$ 57,551	\$ 249,551
2020	191,000	52,411	243,411
2021	150,000	46,966	196,966
2022	150,000	42,341	192,341
2023	150,000	37,391	187,391
2024-2028	580,000	119,387	699,387
2029-2033	325,000	57,119	382,119
2034-2036	195,000	9,710	204,710
	<u>\$ 1,933,000</u>	<u>\$ 422,876</u>	<u>\$ 2,355,876</u>

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

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due within One Year
<b>Governmental activities:</b>					
<b>Bonds Payable:</b>					
General obligation bonds	\$ 38,349,000	\$ 3,256,000	\$ 4,442,000	\$ 37,163,000	\$ 4,636,450
Massachusetts Clean Water Trust bonds	223,298	-	16,630	206,668	19,516
<b>Capital lease</b>	743,582	119,970	282,705	580,847	234,701
<b>Compensated absences</b>	1,083,292	1,288	106,988	977,592	244,398
<b>OPEB liability obligation</b>	31,340,378	-	5,522,274	25,818,104	-
<b>Net pension liability</b>	38,909,714	1,991,666	-	40,901,380	-
Governmental activity Long-term liabilities	<u>\$ 110,649,264</u>	<u>\$ 5,368,924</u>	<u>\$ 10,370,597</u>	<u>\$ 105,647,591</u>	<u>\$ 5,135,065</u>
<b>Business-type activities:</b>					
<b>Bonds Payable:</b>					
General obligation bonds	\$ 2,126,000	\$ -	\$ 193,000	\$ 1,933,000	\$ 192,000
<b>Capital lease</b>	254,611	-	60,859	193,752	62,685
<b>Compensated absences</b>	7,453	-	2,745	4,708	4,708
<b>OPEB liability obligation</b>	363,100	-	63,980	299,120	-
<b>Net pension liability</b>	1,548,559	-	8,239	1,540,320	-
Business-type activity Long-term liabilities	<u>\$ 4,299,723</u>	<u>\$ -</u>	<u>\$ 328,823</u>	<u>\$ 3,970,900</u>	<u>\$ 259,393</u>

**Massachusetts Clean Water Trust (MCWT)**

The Town is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of \$346,216 and interest costs of \$72,380 for one loan which the Town has borrowed from MCWT. The gross amount outstanding at June 30, 2018 for principal and interest combined for the loan is \$251,157. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements.

**Legal Debt Limit**

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2018 totaled \$20,159,668.

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

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

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

Equalized Valuation-Real Estate and Personal Property (2018)		<u>\$ 2,175,990,900</u>
Debt Limit: 5 % of Equalized value		108,799,545
Total Debt Outstanding	\$ 39,302,668	
Less: Debt Outside Debt Limit	<u>(19,143,000)</u>	<u>20,159,668</u>
Inside Debt Excess Borrowing Capacity at June 30, 2018		<u>\$ 88,639,877</u>

**Loans Authorized and Unissued - Memorandum Only**

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as of June 30, 2018 and are not reflected in the Town's financial statements are as follows:

<b>Date Town Meeting Authorized</b>	<b>Purpose</b>	<b>Amount</b>
5/7/2013	New Auburn Middle School	\$ 20,185,375
5/6/2014	Fy2015 capital improvement program	50,000
3/24/2015	School roof and boiler replacements	3,024,153
5/1/2018	Fy2019 capital improvement program	537,000
5/1/2018	Upgrade Sewer Line and Manholes	200,000
5/1/2018	Purchase of existing streetlights	300,823
		<u>\$ 24,297,351</u>

**Overlapping Debt**

The Town pays assessments which include debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt).

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

The following summary sets forth the long-term debt of the governmental unit, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

	<b>Current Year's Long Term Debt</b>	<b>Town's Estimated Share</b>	<b>Town's Estimated Indirect Debt</b>
Southern Worcester County Regional Vocational School District: School Construction	\$ 25,350,000	14.11%	<u>\$ 3,576,885</u>

The Southern Worcester Regional Vocational School District also has bond anticipation notes outstanding as of June 30, 2018 of \$3 million for the Baypath Regional High School construction of which the Town of Auburn's share is 14.11%.

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

**I. Fund Balances**

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

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable:			
Permanent funds	\$ -	\$ 1,000,154	\$ 1,000,154
Restricted:			
Federal, state and local grants	-	77,847	77,847
School federal and state grants	-	463,981	463,981
School revolving funds	-	2,468,159	2,468,159
Town revolving funds	-	770,560	770,560
Donations and gifts	-	206,341	206,341
Technology	-	369,159	369,159
Debt service	738,954	90,451	829,405
High school gymnasium health and recreation trust	-	510,557	510,557
Capital projects	-	1,340,095	1,340,095
Permanent funds	-	637,225	637,225
Other	-	542,387	542,387
	<u>738,954</u>	<u>7,476,762</u>	<u>8,215,716</u>
Committed:			
Ambulance	-	2,583,050	2,583,050
Capital improvements trust	-	1,525,657	1,525,657
Pension reserve fund	-	1,436,675	1,436,675
	<u>-</u>	<u>5,545,382</u>	<u>5,545,382</u>
Assigned:			
General government	368,805	-	368,805
Public safety	63,556	-	63,556
Public works	517,271	-	517,271
Education	569,329	-	569,329
Health and human services	7,537	-	7,537
Culture and recreation	29,437	-	29,437
Employee benefits and Insurance	34,308	-	34,308
Subsequent year's budget	175,200	-	175,200
	<u>1,765,443</u>	<u>-</u>	<u>1,765,443</u>
Unassigned:			
General Fund	16,416,734	-	16,416,734
Deficit capital projects	-	(1,315,446)	(1,315,446)
	<u>16,416,734</u>	<u>(1,315,446)</u>	<u>15,101,288</u>
Total Governmental fund balances	<u>\$ 18,921,131</u>	<u>\$ 12,706,852</u>	<u>\$ 31,627,983</u>

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

**J. Special Trust Funds**

**Stabilization Fund**

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

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

General purpose stabilization fund	\$	2,888,373
School stabilization fund		5,257
		\$ 2,893,630

**4. OTHER INFORMATION**

**A. Risk Management**

**Health Insurance**

The Town is self-insured for its health insurance activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Liabilities are reported when it is possible that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effect of inflation, recent claims settlement trends, and other economic and social factors.

The Town estimates is Incurred But Not Reported (IBNR) claims based on a historical analysis of the timing of claims paid. The Town purchases stop loss insurance for claims in excess of coverage provided by the Town in the amount of \$100,000. At June 30, 2018, the amount of the liability for health insurance claims totaled \$598,451. This liability is the best estimate based on available information.

The Town's changes in the reported liability for the fiscal years ended June 30, 2018 and the two preceding years are as follows:

	<b>Balance at Beginning of Fiscal Year</b>	<b>Current Year Claims and Changes in Estimate</b>	<b>Claims Payments</b>	<b>Balance at Fiscal Year End</b>
Fiscal Year 2018	\$ 311,161	\$ 6,011,267	\$ (5,723,977)	\$ 598,451
Fiscal Year 2017	\$ 412,850	\$ 5,401,521	\$ (5,503,210)	\$ 311,161
Fiscal Year 2016	\$ 377,457	\$ 5,804,865	\$ (5,769,472)	\$ 412,850

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

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

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

**B. Contingent Liabilities**

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

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

**C. Subsequent Events**

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

**D. Pension Plan**

**Plan Description**

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

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



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

**Special Funding Situation**

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in the MTRS. Since the Town does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2017. The Town's portion of the collective pension expense contributed by the Commonwealth of \$5,693,613 on-behalf payments for the fiscal year ending June 30, 2018 is reported as intergovernmental revenues and insurance and employee benefits expenditures in the General Fund as of the measurement date.

**Benefits Provided**

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

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

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

**Contributions**

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2017 was \$2,633,613, representing 18.76% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

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

**Pension Liability**

As of June 30, 2018, a reported liability of \$42,441,700 is the Town's proportionate share of the net pension liability as measured as of December 31, 2017. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2017, the Town's proportional percentage was 5.2048%, which was a slight increase from the last measurement.

**Pension Expense**

For the year ended June 30, 2018, the Town recognized a pension expense of \$5,890,371 and reported deferred outflows of resources related to pensions of \$6,509,443 from the net differences between expected and actual experience, changes in assumptions and change in allocated proportion; and deferred inflows of resources related to pensions of \$1,505,648 from the net differences between projected and actual investment earnings and the change in allocated proportion.

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

<b>For years ended June 30,</b>	
<b>2019</b>	\$ 1,821,266
<b>2020</b>	1,813,507
<b>2021</b>	1,041,169
<b>2022</b>	<u>327,853</u>
	<u><u>\$ 5,003,795</u></u>

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2017;

Valuation date	January 1, 2016
Actuarial cost method	Entry Age Normal
Amortization method	<p><i>Unfunded Actuarial Accrued Liability (UAAL):</i>            Increasing dollar amount at 4.0% to reduce the UAAL to zero on or before June 30, 2035. The annual increase in appropriation is further limited to 9.95%.</p> <p><i>2002 &amp; 2003 Early Retirement Incentive (ERI):</i>            Increasing dollar amount at 4.0% to reduce the 2002 &amp; 2003 ERI to zero on or before June 30, 2028 and the 2010 ERI to zero on or before June 30, 2022.</p>

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

Asset valuation method	The actuarial value of assets is the market value of assets as of the valuation date reduced by the sum of: 80% of the gains and losses of the prior year, 60% of the gains and losses of the second prior year, 40% of the gains and losses of the third prior year, and 20% of the fourth prior year. Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.
Inflation	3.0% per year
Salary increases	Group 1: 4.25% -- 6.00%, based on service Group 4: 4.75% -- 7.00%, based on service
Payroll growth	4.0% per year
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB for disabled members

**Long-term Expected Rate of Return**

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

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2017, are summarized in the following table:

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

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

**Rate of Return**

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

**Discount Rate**

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

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

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

	<b>1% Decrease</b>	<b>Current</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>6.75%</b>	<b>7.75%</b>	<b>7.75%</b>	<b>8.75%</b>
Net pension liability	\$ 51,727,304	\$ 42,441,700	\$	34,599,948

**E. Other Post Employment Benefits Payable**

**GASB Statement No. 74 and GASB Statement No. 75**

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

**Plan Description**

In addition to providing pension benefits as described on the following footnote, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. As of the actuarial valuation date there are approximately 849 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

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

**Investments**

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

**Funding Policy**

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2018 fiscal year, total Town contributions are \$2,079,173 to the plan. The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. The trust balance is \$3,857,201 as of June 30, 2018.

**Measurement Date**

GASB Statement No. 74 and GASB Statement No. 75 require the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

**Plan Membership:**

Current active members	435
Current retirees, beneficiaries and dependents	414
Total	849

**Net OPEB Liability**

The components of the net OPEB liability are as follows:

	<b>6/30/2018</b>
Total OPEB liability	\$ 29,974,425
Less: Plan fiduciary net position	(3,857,201)
Town's Net OPEB liability	\$ 26,117,224
Plan fiduciary net position as a percentage of the total OPEB liability	12.87%

**Actuarial Methods and Assumptions**

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

Valuation date	July 1, 2018
Actuarial cost method	Individual Entry Age Normal

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

Asset valuation method	market value of assets as of the measurement date.
Investment rate of return	full prefunding 7.5% annually, net of OPEB plan investment expense
Single Equivalent Discount rate	7.5% annually
Healthcare cost trend rates	5.0% annually in 2018, 4.5% annually in 2019+
Mortality rates	
Pre-retirement Mortality	RP-2014 Blue Collar Mortality with Scale MP-2015 fully generational
Post-retirement Mortality	Group 1 and 2: RP-2014 Blue Collar Mortality Table set forward 5 years for males and 3 years for females, fully generational. Group 4: RP-2014 Blue Collar Mortality Table set forward 3 years for males and 6 years for females, fully generational.
Disabled Mortality	Group 1 and 2: RP-2000 Mortality Table set forward 6 years. Group 4: RP-2000 Mortality Table set forward 2 years. Generational adjusting is based on Scale MP-2015.

**Long-term Expected Rate of Return**

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major class included in the target asset allocation as of June 30, 2018, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Equity	62.70%	9.25%
Fixed income	36.95%	5.00%
Cash	0.35%	0.50%
Total	<u>100.00%</u>	
I. Real Rate of Return		7.65%
II. Add: Inflation Assumption		0.00%
III. Total Nominal Return (I. + II.)		<u>7.65%</u>
IV. Less: Investment Expense		N/A
V. Net investment Return (III.-IV.)		<u>7.65%</u>

**Rate of Return**

For the year ended June 30, 2018, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was not provided.

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

**Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Total OPEB Liability
Balances at June 30, 2017 GASB 75	\$ 34,714,887	\$ 3,011,409	\$ 31,703,478
Service cost	894,786	-	894,786
Interest on Total OPEB Liability, service cost and benefit payments	2,617,714	-	2,617,714
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Difference between actual and expected experience **	(6,813,307)	-	(6,813,307)
Net investment income	-	170,792	(170,792)
Employer contributions to Trust	-	2,079,173	(2,079,173)
Total benefit payments including implicit cost	(1,439,655)	(1,404,173)	(35,482)
Other charges	-	-	-
Net change in total OPEB liability	(4,740,462)	845,792	(5,586,254)
Balances at June 30, 2018 GASB 75	\$ 29,974,425	\$ 3,857,201	\$ 26,117,224

\*\* = Amortized over 6.59 years

**Discount Rate**

The discount rate used to measure the total OPEB 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 that member employer contributions will be made in accordance Massachusetts General Law Chapter 32. Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Town's net OPEB liability	\$ 30,185,047	\$ 26,117,224	\$ 22,763,323

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

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

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.00% decreasing to 3.50%) or 1-percentage-point higher (6.00 decreasing to 5.50%) than the current healthcare cost trend rates:

	<b>1% Decrease (4.00% decreasing 3.50%)</b>	<b>Healthcare Cost Trend Rates (5.00% decreasing 4.50%)</b>	<b>1% Increase (6.00% decreasing 5.50%)</b>
Town's net OPEB liability	\$ 22,373,418	\$ 26,117,224	\$ 30,779,785

**Summary of Significant Accounting Policies**

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

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

For the year ended June 30, 2018, the GASB Statement No. 75 reporting period and fiscal year ending date, the Town recognized an OPEB expense of \$2,242,652 and reported deferred outflows of resources related to OPEB of \$63,935 and deferred inflows of resources related to OPEB of \$5,783,129.

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

<b>For years ended June 30,</b>	
<b>2019</b>	\$ (1,019,138)
<b>2020</b>	(1,019,139)
<b>2021</b>	(1,019,139)
<b>2022</b>	(1,019,139)
<b>2023</b>	(1,033,886)
<b>Thereafter:</b>	(608,753)
	\$ (5,719,194)

**F. Implementation of New GASB Pronouncements**

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

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



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

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

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

**G. Future GASB Pronouncements**

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

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

The GASB issued Statement No. 84, *Fiduciary Activities*, which is required to be implemented in fiscal year 2020.

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

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

**5. RESTATEMENT**

The net position as of June 30, 2018 has been restated. As required by GASB Statement No. 75, the beginning net position increased \$7,326,643 (\$7,249,301 for governmental activities and \$77,342 for business-type activities) to reflect the changes in the other post employment (OPEB) liability of \$7,321,699 and in the deferred inflows related to OPEB of \$4,944. Accordingly, the previously reported net position of \$38,597,722 has been revised to \$45,924,365; \$38,855,760 for governmental activities and \$7,068,605 for business-type activities.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Town's proportion of the net pension liability (asset)	5.2048%	4.8303%	4.8353%	4.8898%
Town's proportionate share of the net pension liability (asset)	\$ 42,441,700	\$ 40,458,273	\$ 34,320,981	\$ 29,097,673
Town's covered employee payroll	\$ 14,036,616	\$ 13,843,377	\$ 13,295,230	\$ 12,880,029
Net pension liability percentage of covered-employee payroll	302.36%	292.26%	258.15%	225.91%
Plan fiduciary net position as a percentage of the total pension liability	46.40%	42.00%	44.52%	47.94%

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

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

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

**Schedule of the Town's Contributions:**

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarially determined contribution	\$ 2,633,613	\$ 2,346,309	\$ 2,175,190	\$ 1,932,405
Less: Contributions in relation to the actuarially determined contribution	<u>(2,633,613)</u>	<u>(2,346,309)</u>	<u>(2,175,190)</u>	<u>(1,932,405)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 14,036,616	\$ 13,843,377	\$ 13,295,230	\$ 12,880,029
Contributions percentage of covered-employee payroll	18.76%	16.9%	16.4%	15.0%

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

**TOWN OF AUBURN, MASSACHUSETTS**  
**Required Supplementary Information**  
**Other Post Employment Benefit Plan Schedules**  
**For the Year Ended June 30, 2018**

**Schedule of Changes in the Net OPEB Liability:**

	<u>6/30/2018</u>	<u>6/30/2017</u>
<b>Total OPEB liability</b>		
Service cost	\$ 894,786	\$ 960,005
Interest on net OPEB liability	2,617,714	2,474,327
Changes in Benefit terms	-	-
Changes in Assumptions	-	-
Difference between actual and expected experience	(6,813,307)	-
Benefit payments, including refunds of member contributions	(1,439,655)	(1,474,276)
Other charges	-	-
Net change in total OPEB liability	<u>(4,740,462)</u>	<u>1,960,056</u>
Total OPEB liability-beginning	<u>34,714,887</u>	<u>32,754,831</u>
<b>Total OPEB liability-ending (a)</b>	<b><u>\$ 29,974,425</u></b>	<b><u>\$ 34,714,887</u></b>
 <b>Plan fiduciary net position</b>		
Net investment income	170,792	\$ 199,714
Employer contributions to Trust	2,079,173	1,985,339
Benefit payments, including refunds of member contributions	<u>(1,404,173)</u>	<u>(1,385,339)</u>
Net change in plan fiduciary net position	845,792	799,714
Total fiduciary net position-beginning	<u>3,011,409</u>	<u>2,211,695</u>
<b>Total fiduciary net position-ending (b)</b>	<b><u>\$ 3,857,201</u></b>	<b><u>\$ 3,011,409</u></b>
 <b>Town's net OPEB liability (a-b)</b>	<b><u><u>\$ 26,117,224</u></u></b>	<b><u><u>\$ 31,703,478</u></u></b>

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

**TOWN OF AUBURN, MASSACHUSETTS**  
**Required Supplementary Information**  
**Other Post Employment Benefit Plan Schedules**  
**For the Year Ended June 30, 2018**

**Schedule of Net OPEB Liability:**

	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB liability	\$ 29,974,425	\$ 34,714,887
Less: Plan fiduciary net position	<u>(3,857,201)</u>	<u>(3,011,409)</u>
Town's Net OPEB liability	<u>\$ 26,117,224</u>	<u>\$ 31,703,478</u>
Plan fiduciary net position as a percentage of the total OPEB liability	12.9%	8.7%
Town's share of covered employee payroll	\$ 28,905,491	\$ 33,648,784
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	90.4%	94.2%

**Schedule of Contributions:**

	<u>6/30/2018</u>	<u>6/30/2017</u>
Actuarially determined contribution	\$ 2,079,173	\$ 1,985,339
Less: Contributions in relation to the actuarially determined contribution	<u>(1,404,173)</u>	<u>(1,385,339)</u>
Contribution deficiency (excess)	<u>\$ 675,000</u>	<u>\$ 600,000</u>
Town's share of covered employee payroll	\$ 28,905,491	\$ 33,648,784
Contributions percentage of covered-employee payroll	7.2%	5.9%
Annual money-weighted rate of return net of investment expense	N/A	N/A

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

**TOWN OF AUBURN, MASSACHUSETTS**  
**Required Supplementary Information**  
**Other Post Employment Benefit Plan Schedules**  
**For the Year Ended June 30, 2018**

**Schedule of Funding Progress:**

<b>Other Post Employment Benefits</b>						
<b>Actuarial Measurement Date</b>	<b>Actuarial Fiduciary Net Position (A)</b>	<b>Actuarial Total OPEB Liability (B)</b>	<b>Actuarial Net OPEB Liability (B-A)</b>	<b>Actuarial Funded Ratio (A/B)</b>	<b>Actuarial Covered Payroll (C)</b>	<b>Actuarial Percentage of Covered Payroll ((B-A)/C)</b>
6/30/2018	\$ 3,857,201	\$ 29,974,425	\$ 26,117,224	12.9%	\$ 28,905,491	90.4%
6/30/2017	\$ 3,011,409	\$ 34,714,887	\$ 31,703,478	8.7%	\$ 33,648,784	94.2%

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

## **SUPPLEMENTARY SCHEDULES**



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

	Fund Balances July 1, 2017	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2018
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
School Grants	\$ 24,283	\$ 805,471	\$ 812,093	\$ -	\$ 17,661
Arts Lottery Council Grant	5,044	5,403	2,923	-	7,524
Council on Aging Grants	-	38,674	38,674	-	-
Library Grants	51,540	27,458	29,268	-	49,730
Highway Grants	-	619,447	619,447	-	-
Other Grants and Programs	16,656	295,461	286,275	(12,700)	13,142
Public Safety Grants	12,088	131,948	136,585	-	7,451
<b>Schools:</b>					
School Lunch Program	359,864	927,213	767,198	-	519,879
School Lunch Commodities	-	77,446	77,446	-	-
School Choice	746,269	368,088	425,721	300,000	988,636
School Revolving Accounts	836,619	958,079	875,103	-	919,595
School Rentals	55,983	34,073	40,244	-	49,812
State Special Education Reimbursement Fund	560,575	440,874	564,891	-	436,558
<b>Other:</b>					
Ambulance Programs	2,199,715	1,390,559	43,229	(963,382)	2,583,663
Bid Deposits/Escrow	33,743	10,000	-	-	43,743
Board of Health Revolving Account	56,445	27,000	7,809	(12,000)	63,636
Casella Waste	50,000	50,000	-	(50,000)	50,000
Charter Communications Grants	317,773	265,117	152,718	(61,013)	369,159
Council on Aging Building Rental	9,166	4,156	1,789	-	11,533
Council on Aging Private Grants	2,531	1,000	1,000	-	2,531
Dog Fines	7,052	-	4,893	-	2,159
Dog License Fees	102,601	40,150	-	(39,000)	103,751
Gifts and Donations	192,138	87,658	43,455	(30,000)	206,341
Insurance Reimbursements	105,554	50,885	32,964	-	123,475
Library Lost/Damaged Items	9,799	1,384	-	-	11,183
Municipal Aggregation	54,249	101,570	13,657	-	142,162
National Grid Initiative	-	20,267	-	-	20,267
Other Programs and Funds	3,122	8,700	-	-	11,822
<b>Total Special Revenue Page 73</b>	<b>\$ 5,812,809</b>	<b>\$ 6,788,081</b>	<b>\$ 4,977,382</b>	<b>\$ (868,095)</b>	<b>\$ 6,755,413</b>

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

	Fund Balances July 1, 2017	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2018
<b>Continued from Page 73</b>	\$ 5,812,809	\$ 6,788,081	\$ 4,977,382	\$ (868,095)	\$ 6,755,413
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
Outside Work Revolving	-	417,338	418,647	-	(1,309)
Premium and Interest on Bonds	29,649	-	-	60,802	90,451
Revolving Accounts	356,348	342,670	346,472	-	352,546
Road Improvements	46,314	-	-	-	46,314
Sale of Cemetery Lots	69,997	20,480	1,320	(30,000)	59,157
Sale of Real Estate	182,740	-	5,183	(82,000)	95,557
Seniors Disabled Revolving	1,165	197	-	-	1,362
Wetlands Protection Fees	63,222	8,963	-	(3,000)	69,185
Auburn High School Gymnasium Fund	526,380	(6,478)	-	(9,345)	510,557
Capital Improvement Trust	1,569,967	(19,310)	-	(25,000)	1,525,657
Conservation Fund	1,346	26	-	6,000	7,372
Federal Law Enforcement Fund	51,463	895	10,062	-	42,296
Law Enforcement Fund	52,620	1,838	867	-	53,591
Pension Reserve Fund	1,479,884	(18,209)	-	(25,000)	1,436,675
<b>Total Special Revenue Funds</b>	<b>10,243,904</b>	<b>7,536,491</b>	<b>5,759,933</b>	<b>(975,638)</b>	<b>11,044,824</b>
<b>Capital Projects:</b>					
Auburn Middle School Feasibility Study	17,171	-	-	-	17,171
Auburn Middle School Construction	(2,609,804)	-	638,642	1,933,000	(1,315,446)
Bryn Mawr Accelerated Repairs	554	1	555	-	-
Dam/Highway/Landfill	2,053	-	-	-	2,053
High School Construction	20,646	-	-	-	20,646
High School Land Acquisition	33,356	-	-	-	33,356
Other Projects and Programs	1,753	-	119,970	119,970	1,753
Pondville Dam Repair	5,582	-	-	-	5,582
Pakachoag Roof Replacement	-	331,519	328,890	-	2,629
Swanson Accelerated Repairs	(4,486)	-	(4,486)	-	-
<b>Total Capital Projects Page 74</b>	<b>\$ (2,533,175)</b>	<b>\$ 331,520</b>	<b>\$ 1,083,571</b>	<b>\$ 2,052,970</b>	<b>\$ (1,232,256)</b>

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

	Fund Balances July 1, 2017	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2018
<b>Continued from Page 74</b>	\$ (2,533,175)	\$ 331,520	\$ 1,083,571	\$ 2,052,970	\$ (1,232,256)
Fiscal Year 2006 General Obligation Bond Projects	16,266	-	11,266	-	5,000
Fiscal Year 2007 General Obligation Bond Projects	(75)	-	22	-	(97)
Fiscal Year 2009 General Obligation Bond Projects	144,934	-	39,164	-	105,770
Fiscal Year 2010 General Obligation Bond Projects	36,087	-	32,801	-	3,286
Fiscal Year 2011 General Obligation Bond Projects	16,927	-	11,742	-	5,185
Fiscal Year 2012 General Obligation Bond Projects	16,961	-	6,231	-	10,730
Fiscal Year 2013 General Obligation Bond Projects	324,283	-	251,530	-	72,753
Fiscal Year 2014 General Obligation Bond Projects	33,970	-	4,695	-	29,275
Fiscal Year 2015 General Obligation Bond Projects	154,778	-	113,875	-	40,903
Fiscal Year 2016 General Obligation Bond Projects	270,439	-	127,147	85,000	228,292
Fiscal Year 2017 General Obligation Bond Projects	(92,496)	-	446,669	722,000	182,835
Fiscal Year 2018 General Obligation Bond Projects	-	-	76,027	649,000	572,973
<b>Total Capital Project Funds</b>	<b>(1,611,101)</b>	<b>331,520</b>	<b>2,204,740</b>	<b>3,508,970</b>	<b>24,649</b>
<b>Perpetual Permanent Funds:</b>					
Cemetery Perpetual Care Fund	959,177	30,990	-	-	990,167
Library Fund	9,987	-	-	-	9,987
<b>Total Perpetual Permanent Funds</b>	<b>969,164</b>	<b>30,990</b>	<b>-</b>	<b>-</b>	<b>1,000,154</b>
<b>Permanent Funds:</b>					
Cemetery Perpetual Care Fund	381,045	(16,182)	1,980	(5,000)	357,883
Library Fund	152,559	(1,994)	2,465	-	148,100
Norma Card Fire Memorial Fund	132,878	(1,636)	-	-	131,242
<b>Total Permanent Funds</b>	<b>666,482</b>	<b>(19,812)</b>	<b>4,445</b>	<b>(5,000)</b>	<b>637,225</b>
<b>Total - Non-Major Governmental Funds</b>	<b>\$ 10,268,449</b>	<b>\$ 7,879,189</b>	<b>\$ 7,969,118</b>	<b>\$ 2,528,332</b>	<b>\$ 12,706,852</b>

**TOWN OF AUBURN, MASSACHUSETTS**  
**SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND SUPPLEMENTAL TAXES**  
**AND DEFERRED PROPERTY TAXES**  
**JULY 1, 2017 TO JUNE 30, 2018**

	Uncollected Taxes July 1, 2017	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2018	Uncollected Taxes Per Detail June 30, 2018
<b>Real Estate Taxes:</b>						
Levy of 2018	\$ -	\$ 39,542,946	\$ 278,204	\$ 38,703,015	\$ 561,727	\$ 561,727
Levy of 2017	560,526	-	184,766	358,843	16,917	16,917
Levy of 2016	13,698	-	-	478	13,220	13,220
Levy of 2015	10,560	-	-	(4)	10,564	10,558
Levy of 2014	3,257	-	-	2,207	1,050	1,173
Prior Years	4,918	-	-	3,859	1,059	1,059
	<u>592,959</u>	<u>39,542,946</u>	<u>462,970</u>	<u>39,068,398</u>	<u>604,537</u>	<u>604,654</u>
<b>Personal Property Taxes:</b>						
Levy of 2018	-	1,922,510	3,783	1,890,596	28,131	28,131
Levy of 2017	38,013	-	-	15,399	22,614	22,614
Levy of 2016	6,661	-	-	400	6,261	6,261
Levy of 2015	8,059	-	3	54	8,002	8,002
Levy of 2014	3,690	-	-	102	3,588	3,588
Prior Years	126,576	-	3	110	126,463	126,463
	<u>182,999</u>	<u>1,922,510</u>	<u>3,789</u>	<u>1,906,661</u>	<u>195,059</u>	<u>195,059</u>
<b>Supplemental Taxes</b>	<u>9,699</u>	<u>28,738</u>	<u>(2)</u>	<u>30,327</u>	<u>8,112</u>	<u>8,112</u>
<b>Total Real Estate, Personal Property and Supplemental Taxes</b>	<u>\$ 785,657</u>	<u>\$ 41,494,194</u>	<u>\$ 466,757</u>	<u>\$ 41,005,386</u>	<u>\$ 807,708</u>	<u>\$ 807,825</u>
<b>Deferred Property Taxes</b>	<u>\$ 34,396</u>	<u>\$ 2,826</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,222</u>	<u>\$ 37,222</u>

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

	<b>Uncollected Taxes July 1, 2017</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Taxes June 30, 2018</b>	<b>Uncollected Taxes Per Detail June 30, 2018</b>
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2018	\$ -	\$ 2,949,859	\$ 41,027	\$ 2,737,037	\$ 171,795	\$ 171,795
Levy of 2017	167,546	327,934	32,907	417,976	44,597	44,597
Levy of 2016	40,913	22	1,108	22,087	17,740	17,740
Levy of 2015	17,066	-	173	3,789	13,104	13,104
Levy of 2014	12,811	-	(12)	1,634	11,189	11,189
Prior Years	70,581	1,515	5,127	4,005	62,964	17,025
<b>Total Motor Vehicle Excise Taxes</b>	<b>\$ 308,917</b>	<b>\$ 3,279,330</b>	<b>\$ 80,330</b>	<b>\$ 3,186,528</b>	<b>\$ 321,389</b>	<b>\$ 275,450</b>

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

	<b>Uncollected Accounts July 1, 2017</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Accounts June 30, 2018</b>	<b>Uncollected Accounts Per Detail June 30, 2018</b>
<b>Tax Liens</b>	\$ 874,103	\$ 212,255	\$ -	\$ 229,597	\$ 856,761	\$ 858,955
<b>Tax Liens-Trash</b>	19,811	5,121	-	3,911	21,021	21,021
<b>Total Tax Liens</b>	<u>\$ 893,914</u>	<u>\$ 217,376</u>	<u>\$ -</u>	<u>\$ 233,508</u>	<u>\$ 877,782</u>	<u>\$ 879,976</u>