

**TOWN OF AUBURN, MASSACHUSETTS**  
**Report on the Examination of Basic Financial Statements**  
**For the Year Ended June 30, 2017**

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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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan and other 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 21, 2018, 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 & Associates, LLC  
South Deerfield, Massachusetts

February 21, 2018

## **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, 2017. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

### Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$38,597,722 (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 \$39,488,858 a decrease of \$891,136 (2%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$26,522,291, an increase of \$834,942 (3%) in comparison with prior year.
- The General Fund's total fund balance increased \$1,348,314 (9%) to \$16,253,842. The ending General fund balance is 25% of revenues, transfers in, capital lease and sale of capital asset and 26% of expenditures and transfers out.
- Total liabilities of the Town increased by \$2,821,651 (2%) to \$130,964,416 during the fiscal year. This net change resulted mainly from net increases in the other post employment benefits (OPEB) liability of \$3,056,606 and the net pension liability of \$6,137,292 and net decreases in warrants and accounts payable of \$532,500, in the bond anticipation notes of \$936,569 in the bonds and leases payable of \$4,880,272.
- The Town had General Fund free cash certified by the Department of Revenue in the amount of \$10,784,390. The key factors that attributed to the free cash amount for fiscal year 2017 were unexpended/unencumbered appropriations of \$587,200, excess over budget state and local receipts of \$877,600 and prior year free cash not appropriated of \$9,385,300.
- The Town's enterprise fund certified free cash is as follows:
  - Sewer fund \$1,368,014.
  - Pakachoag golf course \$ 84,448.

### 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		
	2017	2016	Change
<b>Assets:</b>			
Current assets	\$ 45,177,665	\$ 44,757,554	\$ 420,111
Noncurrent assets (excluding capital assets)	3,356	6,853	(3,497)
Capital assets	106,896,325	108,919,997	(2,023,672)
<b>Total assets</b>	<b>152,077,346</b>	<b>153,684,404</b>	<b>(1,607,058)</b>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows related to pensions	<b>6,269,819</b>	<b>2,855,829</b>	<b>3,413,990</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt and lease)	4,669,458	5,281,933	(612,475)
Current debt and lease	8,947,000	10,149,489	(1,202,489)
Noncurrent liabilities (excluding debt and lease)	78,316,750	69,389,978	8,926,772
Noncurrent debt and lease	34,574,546	39,186,118	(4,611,572)
<b>Total liabilities</b>	<b>126,507,754</b>	<b>124,007,518</b>	<b>2,500,236</b>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows related to pensions	<b>232,952</b>	<b>260,164</b>	<b>(27,212)</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	63,374,779	59,584,390	3,790,389
Restricted	13,135,777	14,959,783	(1,824,006)
Unrestricted	(44,904,097)	(42,271,622)	(2,632,475)
<b>Total net position</b>	<b>\$ 31,606,459</b>	<b>\$ 32,272,551</b>	<b>\$ (666,092)</b>
<b>Business-Type Activities</b>			
	2017	2016	Change
<b>Assets:</b>			
Current assets	\$ 3,200,695	\$ 3,161,466	\$ 39,229
Noncurrent assets (excluding capital assets)	146,830	210,555	(63,725)
Capital assets	7,860,140	7,881,463	(21,323)
<b>Total assets</b>	<b>11,207,665</b>	<b>11,253,484</b>	<b>(45,819)</b>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows related to pensions	<b>249,531</b>	<b>107,899</b>	<b>141,632</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt and leases)	86,994	77,593	9,401
Current debt	253,859	206,648	47,211
Noncurrent liabilities (excluding debt and leases)	1,989,057	1,674,263	314,794
Noncurrent debt	2,126,752	2,176,743	(49,991)
<b>Total liabilities</b>	<b>4,456,662</b>	<b>4,135,247</b>	<b>321,415</b>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows related to pensions	<b>9,271</b>	<b>9,829</b>	<b>(558)</b>
<b>Net Position:</b>			
Net investment in capital assets	5,479,529	5,498,072	(18,543)
Restricted	1,242,050	1,543,701	(301,651)
Unrestricted	269,684	174,534	95,150
<b>Total net position</b>	<b>\$ 6,991,263</b>	<b>\$ 7,216,307</b>	<b>\$ (225,044)</b>

## Financial Highlights

### Statement of Activities Highlights

	Governmental Activities		
	2017	2016	Change
<b>Program Revenues:</b>			
Charges for services	\$ 5,738,157	\$ 5,564,392	\$ 173,765
Operating grants and contributions	18,050,516	16,237,518	1,812,998
Capital grants and contributions	706,616	4,217,607	(3,510,991)
<b>General Revenues:</b>			
Property taxes	39,942,159	38,313,356	1,628,803
Motor vehicle excise and other taxes	3,100,272	2,921,709	178,563
Hotel room occupancy and meals taxes	1,196,578	1,211,994	(15,416)
Penalties and interest on taxes	278,801	247,659	31,142
Nonrestricted grants	1,858,639	2,509,850	(651,211)
Unrestricted investment income	94,978	163,304	(68,326)
Gain(Loss) on Sale of Capital Assets	(39,441)	-	(39,441)
Miscellaneous	12,483	-	12,483
<b>Total revenues</b>	<b>70,939,758</b>	<b>71,387,389</b>	<b>(447,631)</b>
<b>Expenses:</b>			
General government	3,796,602	3,400,801	395,801
Public safety	8,295,692	7,951,350	344,342
Public works	4,164,360	4,536,137	(371,777)
Education	32,041,865	28,769,255	3,272,610
Health and human services	829,532	844,112	(14,580)
Culture and recreation	1,134,226	1,288,615	(154,389)
Employee benefits and insurance	19,826,715	18,414,849	1,411,866
State assessments	602,455	564,581	37,874
Interest	1,400,837	1,528,668	(127,831)
<b>Total expenses</b>	<b>72,092,284</b>	<b>67,298,368</b>	<b>4,793,916</b>
<b>Contributions to permanent funds</b>	<b>23,295</b>	<b>28,000</b>	<b>(4,705)</b>
<b>Transfers</b>	<b>463,139</b>	<b>153,774</b>	<b>309,365</b>
<b>Change in net position</b>	<b>(666,092)</b>	<b>4,270,795</b>	<b>(4,936,887)</b>
<b>Net position - beginning of year</b>	<b>32,272,551</b>	<b>28,001,756</b>	<b>4,270,795</b>
<b>Net position - end of year</b>	<b>\$ 31,606,459</b>	<b>\$ 32,272,551</b>	<b>\$ (666,092)</b>

	<b>Business-Type Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>Change</b>
<b>Program Revenues:</b>			
Charges for services	\$ 3,039,513	\$ 2,615,395	\$ 424,118
Operating grants and contributions	4,983	95,030	(90,047)
<b>Total revenues</b>	<b>3,044,496</b>	<b>2,710,425</b>	<b>334,071</b>
<b>Expenses:</b>			
Sewer	2,504,831	2,577,615	(72,784)
Pakachoag Golf Course	301,570	136,595	164,975
<b>Total expenses</b>	<b>2,806,401</b>	<b>2,714,210</b>	<b>92,191</b>
<b>Transfers</b>	<b>(463,139)</b>	<b>(153,774)</b>	<b>(309,365)</b>
<b>Change in net position</b>	<b>(225,044)</b>	<b>(157,559)</b>	<b>(67,485)</b>
<b>Net position - beginning of year</b>	<b>7,216,307</b>	<b>7,373,866</b>	<b>(157,559)</b>
<b>Net position - end of year</b>	<b>\$ 6,991,263</b>	<b>\$ 7,216,307</b>	<b>\$ (225,044)</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 \$38,597,722 at the close of fiscal year 2017.

Net position of \$68,854,308 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 \$14,377,827, represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$44,634,413).

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 decreased by \$666,092 (2%) 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 \$4,893,362 and the sale of capital assets of \$199,181 exceeding the acquisition of \$3,068,871 in new capital assets, in recognizing this year's OPEB obligation of \$3,040,869 and net pension liability of \$5,838,235 and increases due to the net change in debt of \$4,877,492 and in the deferred outflow/(inflow) of resources related to pensions of \$3,441,202.

There was a decrease of \$225,044 (3%) in net position reported in the sewer and pakachoag golf course business-type activities. Of this, there were decreases of \$100,724 attributed to the sewer fund and of \$124,320 attributed to the pakachoag golf course fund.

There was an increase of \$802,393 (11%) in net position reported in the internal service fund. This was attributed to operating revenues exceeding operating expenditures by \$786,846 and interest earned of \$15,647.

### **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 \$26,522,291, an increase of \$834,942 (3%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance – \$969,164 (4%).
- Restricted fund balance – \$10,543,559 (40%).
- Committed fund balance – \$2,199,102 (8%).
- Assigned fund balance – \$964,929 (3%).
- Unassigned fund balance – \$11,845,537 (45%).

### **Major Governmental Funds**

At the end of the fiscal year, the General Fund reported a total fund balance of \$16,253,842 increasing \$1,348,314 (9%) from the prior year. Of the \$16,253,842, the unassigned amount is \$14,552,323 (89%), the assigned amount is \$964,929 (6%) and the restricted amount is \$736,590 (5%). General fund revenues were \$3,839,501 (6%) more than the prior fiscal year while expenditures also increased by \$4,338,209 (7%). Other activities in the General Fund were net transfers in from other funds of \$1,695,197 and the sale of capital assets of \$65,611.

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 \$1,611,044 (4%), in intergovernmental receipts of \$691,276 (7%) and intergovernmental "on-behalf" payments of \$1,441,147 (36%).

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

- Increase in Public safety expenditures of \$634,590 (9%).
- Increase in Education expenditures of \$758,260 (3%).
- Increase in Employee benefits and insurance expenditures of \$1,817,731 (14%).
- Increase in net debt (principal and interest) expenditures of \$778,496 (14%).

**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 \$6,964,888 and shows a decrease of \$100,724 (1%) in total operations. This is attributed to current operating revenues exceeding by operating costs \$223,559, interest income of \$3,550, special assessments revenue of \$11,077, interest expense of \$64,925 and transfers to the general fund of \$273,985. Operating revenues increased by \$231,259 (10%) while operating expenses decreased by \$76,667 (3%) 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 \$26,375 and shows a decrease of \$124,320 (82%) in total operations. This decrease is attributed to current operational revenues exceeding the current operational costs by \$63,401, interest income of \$1,433 and net transfers out to governmental funds of \$189,154.

## Internal Service Fund

The activity of the internal service fund represents the health insurance fund. The fund has accumulated a fund balance of \$8,011,697. The fund increased by \$802,393 (11%) in total operations. This is the result of contributions from the employees and employer for \$6,878,345 and other revenue of \$220,212, expenses of \$6,311,711 and interest earned of \$15,547. Operating revenues decreased by \$202,721 (3%) and operating expenses also decreased by \$445,540 (7%) from the prior year.

## General Fund Budgetary Highlights

The final general fund budget for fiscal year 2017 was \$59,374,933. This was an increase of \$2,605,293 (5%) 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 meetings in October 2016 and March 2017 for various budget operating line items.

General fund expenditures were less than budgeted by \$1,452,110. Of the \$1,452,110 in under budget expenditures, \$864,929 has been carried over to fiscal year 2018.

There was a negative variance in state assessments of \$42,903 due to a higher assessments in the registry of motor vehicles non-renewal surcharges of \$540 and in special education of \$1,045, and lower assessments in the school choice sending tuitions of \$9,779 and in charter school sending tuitions of \$34,709 than the actual payments.

The variance with the final budget was a positive \$1,489,344 consisting of a revenue surplus of \$902,163 and an appropriation surplus of \$587,181.

## 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, 2017 amounts to \$106,896,325 and \$7,860,140, 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:

- Town building cable television equipment purchase for \$45,495.
- Police vehicle purchases for \$140,079.
- Police parking lot improvements for \$20,470.
- Fire Department vehicles and equipment purchases for \$307,693.

- Highway vehicles and equipment purchases for \$123,188.
- Road and street improvements for \$1,432,772.
- Various school improvements for \$823,827.
- Parks equipment purchase for \$21,700.
- Library improvements for \$153,647.

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

- Sewer infrastructure improvements for \$321,969.
- Golf course equipment for \$251,307.

**Debt Administration.** The Town's outstanding governmental debt, as of June 30, 2017, totaled \$38,572,298, of which \$24,755,000 is for school projects, \$3,210,000 is for land acquisitions, \$611,298 for Dam repairs and road improvements, \$9,931,000 is for various remodeling projects and \$65,000 for department equipment.

The business-type fund has \$2,126,000 in long term sewer debt.

The Town also has capital leases in the governmental type fund for the financing of the fire department vehicles and highway vehicles. The last lease is due in 2022. The Town currently owes \$800,238 on the leases consisting of \$743,582 in principal and \$56,656 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 \$273,066 on the lease consisting of \$254,611 in principal and \$18,455 in interest.

The Town has bond anticipation notes outstanding in the amount of \$4,205,666 as of June 30, 2017 for the middle school project and other capital activities.

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, 2017 do not reflect the fiscal year 2018 Town Meeting action with the exception of the fund balance (overlay surplus) amount used to fund the 2018 budget.

The Annual Town Meeting on May 2, 2017 authorized a fiscal year 2018 operating and capital budget as follows:

From raise and appropriate		\$ 58,575,242
From sewer user fees	\$ 1,868,852	
From sewer retained earnings	<u>110,000</u>	1,978,852
From golf course fees		317,304
From cable television fees		189,847
From other available funds:		
General Fund:		
Unreserved fund balance:		
Overlay surplus		100,000
Reserve for debt		83,313
Non-major Governmental Funds:		
Ambulance	955,000	
Board of health revolving	12,000	
Capital improvement trust fund	25,000	
Casella waste	50,000	
Cemetery perpetual care fund	5,000	
Central administrative building	48,862	
Charter communications grants	28,170	
Dog License Fees	24,418	
Health and recreation trust fund	9,345	
Kitchen Equipment	20,000	
Pension reserve fund	25,000	
Premium and Interest on Bonds	29,649	
Sale of cemetery lots	30,000	
Sale of Real Estate	82,000	
State primary election	12,700	
Wetlands protection fees	<u>3,000</u>	1,360,144
		<u>\$ 62,604,702</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, 2017**

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and Cash Equivalents	\$ 32,561,638	\$ 2,936,966	\$ 35,498,604
Investments	8,274,793	-	8,274,793
Receivables, net of allowance for uncollectibles:			
Property Taxes	709,862	-	709,862
Deferred Property Taxes	31,946	-	31,946
Tax Liens	893,914	-	893,914
Excise Taxes	228,917	-	228,917
User Charges	-	246,504	246,504
Departmental	705,559	-	705,559
Special Assessments	3,252	17,225	20,477
Due from Other Governments	1,765,672	-	1,765,672
Other	2,112	-	2,112
Total current assets	<u>45,177,665</u>	<u>3,200,695</u>	<u>48,378,360</u>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Special Assessments	3,356	146,830	150,186
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	8,909,822	791,763	9,701,585
Depreciable	97,986,503	7,068,377	105,054,880
Total noncurrent assets	<u>106,899,681</u>	<u>8,006,970</u>	<u>114,906,651</u>
<b>Total Assets</b>	<u>152,077,346</u>	<u>11,207,665</u>	<u>163,285,011</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	6,269,819	249,531	6,519,350
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants and Accounts Payable	897,499	47,714	945,213
Retainage Payable	87,008	-	87,008
Accrued Payroll	2,414,119	11,176	2,425,295
Tax Refund Payable	17,000	-	17,000
Payroll Withholdings	175,339	-	175,339
Accrued Interest	446,677	20,651	467,328
Accrued Claims	311,161	-	311,161
Other	49,832	-	49,832
Compensated Absences	270,823	7,453	278,276
Bond Anticipation Notes Payable	4,205,666	-	4,205,666
Bonds and Leases Payable	4,741,334	253,859	4,995,193
Total current liabilities	<u>13,616,458</u>	<u>340,853</u>	<u>13,957,311</u>
<b>NONCURRENT:</b>			
Compensated Absences	812,469	-	812,469
OPEB Obligation Payable	38,594,567	440,498	39,035,065
Net Pension Liability	38,909,714	1,548,559	40,458,273
Bonds and Leases Payable	34,574,546	2,126,752	36,701,298
Total noncurrent liabilities	<u>112,891,296</u>	<u>4,115,809</u>	<u>117,007,105</u>
<b>Total Liabilities</b>	<u>126,507,754</u>	<u>4,456,662</u>	<u>130,964,416</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions	232,952	9,271	242,223
<b>NET POSITION</b>			
Net Investment in Capital Assets	63,374,779	5,479,529	68,854,308
Restricted for:			
Capital Projects	2,594,564	1,242,050	3,836,614
Federal & State Grants	789,066	-	789,066
Debt Service	766,239	-	766,239
Permanent Funds:			
Expendable	666,482	-	666,482
Nonexpendable	969,164	-	969,164
Other Purposes	7,350,262	-	7,350,262
Unrestricted	(44,904,097)	269,684	(44,634,413)
<b>Total Net Position</b>	<u>\$ 31,606,459</u>	<u>\$ 6,991,263</u>	<u>\$ 38,597,722</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, 2017**

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General Government	\$ 3,796,602	\$ 414,424	\$ 683,885	\$ -	\$ (2,698,293)	\$ -	\$ (2,698,293)
Public Safety	8,295,692	2,460,262	138,331	-	(5,697,099)	-	(5,697,099)
Public Works	4,164,360	1,122,696	23,284	608,944	(2,409,436)	-	(2,409,436)
Education	32,041,865	1,376,509	11,382,236	97,672	(19,185,448)	-	(19,185,448)
Health and Human Services	829,532	219,580	95,141	-	(514,811)	-	(514,811)
Culture and Recreation	1,134,226	144,686	58,003	-	(931,537)	-	(931,537)
Employee Benefits and Insurance	19,826,715	-	5,669,636	-	(14,157,079)	-	(14,157,079)
State Assessments	602,455	-	-	-	(602,455)	-	(602,455)
Interest	1,400,837	-	-	-	(1,400,837)	-	(1,400,837)
<b>Total Governmental Activities</b>	<b>72,092,284</b>	<b>5,738,157</b>	<b>18,050,516</b>	<b>706,616</b>	<b>(47,596,995)</b>	<b>-</b>	<b>(47,596,995)</b>
<b>Business-Type Activities:</b>							
Sewer	2,504,831	2,674,542	3,550	-	-	173,261	173,261
Pakachoag Golf Course	301,570	364,971	1,433	-	-	64,834	-
<b>Total Primary Government</b>	<b>\$ 74,898,685</b>	<b>\$ 8,777,670</b>	<b>\$ 18,055,499</b>	<b>\$ 706,616</b>	<b>(47,596,995)</b>	<b>238,095</b>	<b>(47,358,900)</b>
<b>General Revenues:</b>							
Property Taxes					39,942,159	-	39,942,159
Motor vehicle excise and other taxes					3,100,272	-	3,100,272
Hotel room occupancy and meals taxes					1,196,578	-	1,196,578
Penalties & Interest on taxes					278,801	-	278,801
Grants & Contributions not restricted to specific programs					1,858,639	-	1,858,639
Unrestricted Investment Income					94,978	-	94,978
Gain/(Loss) on Sale of Capital Assets					(39,441)	-	(39,441)
Miscellaneous					12,483	-	12,483
<b>Contributions to Permanent Funds</b>					23,295	-	23,295
<b>Transfers, net</b>					463,139	(463,139)	-
<b>Total General Revenues, Contributions and Transfers</b>					<b>46,930,903</b>	<b>(463,139)</b>	<b>46,467,764</b>
<b>Change in Net Position</b>					<b>(666,092)</b>	<b>(225,044)</b>	<b>(891,136)</b>
<b>Net Position:</b>							
Beginning of year					32,272,551	7,216,307	39,488,858
End of year					<b>\$ 31,606,459</b>	<b>\$ 6,991,263</b>	<b>\$ 38,597,722</b>

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

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

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 16,078,312	\$ 7,991,325	\$ 24,069,637
Investments	3,013,452	5,261,341	8,274,793
Receivables, net of allowance for uncollectibles:			
Property Taxes	709,862	-	709,862
Deferred Taxes	31,946	-	31,946
Tax Liens	893,914	-	893,914
Excise Taxes	228,917	-	228,917
Departmental	169,779	438,477	608,256
Special Assessments	6,608	-	6,608
Due from Other Governments	141,476	1,624,196	1,765,672
Other	2,112	-	2,112
<b>Total Assets</b>	<b>\$ 21,276,378</b>	<b>\$ 15,315,339</b>	<b>\$ 36,591,717</b>
<b>Liabilities:</b>			
Warrants and Accounts Payable	\$ 524,616	\$ 246,230	\$ 770,846
Retainage Payable	-	87,008	87,008
Accrued Payroll	2,397,489	16,553	2,414,042
Tax Refund Payable	17,000	-	17,000
Employee Withholdings	35,623	-	35,623
Other	49,832	-	49,832
Bond Anticipation Notes Payable	-	4,205,666	4,205,666
<b>Total Liabilities</b>	<b>3,024,560</b>	<b>4,555,457</b>	<b>7,580,017</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue	1,997,976	491,433	2,489,409
<b>Fund Balances:</b>			
Nonspendable	-	969,164	969,164
Restricted	736,590	9,806,969	10,543,559
Committed	-	2,199,102	2,199,102
Assigned	964,929	-	964,929
Unassigned	14,552,323	(2,706,786)	11,845,537
<b>Total Fund Balance</b>	<b>16,253,842</b>	<b>10,268,449</b>	<b>26,522,291</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 21,276,378</b>	<b>\$ 15,315,339</b>	<b>\$ 36,591,717</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, 2017**

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Property Taxes	\$ 39,786,871	\$ -	\$ 39,786,871
Intergovernmental	11,026,446	3,191,868	14,218,314
Excise and Other Taxes	4,235,838	-	4,235,838
Charges for Services	1,127,487	3,717,769	4,845,256
Licenses, Permits, Fees	956,908	-	956,908
Interest on Taxes	278,801	-	278,801
Investment Income	94,978	50,918	145,896
Intergovernmental - "On-behalf" Payments	5,419,949	-	5,419,949
Gifts and Donations	-	104,777	104,777
Other	-	467,637	467,637
<b>Total Revenues</b>	<b>62,927,278</b>	<b>7,532,969</b>	<b>70,460,247</b>
<b>Expenditures:</b>			
Current:			
General Government	3,093,500	693,236	3,786,736
Public Safety	7,644,016	810,106	8,454,122
Public Works	3,992,221	764,274	4,756,495
Education	25,542,249	4,278,590	29,820,839
Health and Human Services	682,782	74,223	757,005
Culture and Recreation	824,657	255,826	1,080,483
Employee Benefits and Insurance	14,796,529	-	14,796,529
State Assessments	602,455	-	602,455
Debt Service:			
Principal	4,725,801	-	4,725,801
Interest	1,438,562	-	1,438,562
<b>Total Expenditures</b>	<b>63,342,772</b>	<b>6,876,255</b>	<b>70,219,027</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(415,494)</b>	<b>656,714</b>	<b>241,220</b>
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	1,725,807	30,610	1,756,417
Operating Transfers Out	(30,610)	(1,421,586)	(1,452,196)
Capital Lease	-	129,761	129,761
Sale of Capital Asset	68,611	91,129	159,740
<b>Total Other Financing Sources (Uses)</b>	<b>1,763,808</b>	<b>(1,170,086)</b>	<b>593,722</b>
<b>Net Change in Fund Balances</b>	<b>1,348,314</b>	<b>(513,372)</b>	<b>834,942</b>
<b>Fund Balances, Beginning of Year</b>	<b>14,905,528</b>	<b>10,781,821</b>	<b>25,687,349</b>
<b>Fund Balances, End of Year</b>	<b>\$ 16,253,842</b>	<b>\$ 10,268,449</b>	<b>\$ 26,522,291</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, 2017**

<b>Total Governmental Fund Balances</b>		\$	26,522,291
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.			106,896,325
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			2,489,409
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.			6,036,867
Long term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:			
Bonds and lease payable	\$	(39,315,880)	
OPEB obligation payable		(38,594,567)	
Net Pension Liability		(38,909,714)	
Compensated absences		(1,083,292)	(117,903,453)
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.			8,011,697
In statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due.			(446,677)
<b>Net Position of Governmental Activities</b>		<b>\$</b>	<b>31,606,459</b>

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, 2017**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	834,942
<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	\$ 3,068,871	
Sale of Capital Assets	(199,181)	
Depreciation	<u>(4,893,362)</u>	(2,023,672)
<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>		
		306,488
<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	5,007,253	
Proceeds from capital lease	<u>(129,761)</u>	4,877,492
<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	(63,558)	
Net change in OPEB liability obligation	(3,040,869)	
Net change in net pension liability	(5,838,235)	
Net change in deferred outflow/(inflow) of resources related to pensions	3,441,202	
Net change in accrued interest on long-term debt	<u>37,725</u>	(5,463,735)
<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>802,393</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u><u>(666,092)</u></u></b>

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, 2017**

	Budgeted Amounts				Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried		Actual			
	Forward from Prior Year	Original Budget	Final Budget	Budgetary Basis		
<b>Revenues:</b>						
Property Taxes	\$ -	\$ 39,129,379	\$ 39,789,324	\$ 39,813,871	\$ -	\$ 24,547
Intergovernmental	-	10,774,547	10,774,547	11,026,446	-	251,899
Excise and Other Taxes	-	3,780,819	3,780,819	4,235,838	-	455,019
Charges for Services	-	1,082,000	1,082,000	1,127,487	-	45,487
Licenses, Permits, Fees	-	919,776	919,776	956,908	-	37,132
Interest on Taxes	-	200,000	200,000	278,801	-	78,801
Investment Income	-	50,000	50,000	59,278	-	9,278
<b>Total Revenues</b>	-	55,936,521	56,596,466	57,498,629	-	902,163
<b>Expenditures:</b>						
Current:						
General Government	147,472	3,404,978	3,275,466	3,093,500	156,411	25,555
Public Safety	71,299	7,442,112	7,688,123	7,644,016	33,657	10,450
Public Works	188,876	3,593,009	4,088,925	3,992,221	75,025	21,679
Education	722,476	25,178,755	26,058,288	25,542,249	512,539	3,500
Health and Human Services	18,271	681,521	718,898	682,782	20,987	15,129
Culture and Recreation	-	907,824	907,838	824,657	33,291	49,890
Employee Benefits and Insurance	32,669	9,780,809	9,913,478	9,376,580	33,019	503,879
State Assessments	-	559,552	559,552	602,455	-	(42,903)
Debt Service:						
Principal	-	4,725,801	4,725,801	4,725,801	-	-
Interest	-	1,438,564	1,438,564	1,438,562	-	2
<b>Total Expenditures</b>	1,181,063	57,712,925	59,374,933	57,922,823	864,929	587,181
<b>Excess of Revenues Over (Under) Expenditures</b>	(1,181,063)	(1,776,404)	(2,778,467)	(424,194)	(864,929)	1,489,344
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	-	1,604,807	1,725,807	1,725,807	-	-
Operating Transfers Out	-	-	(300,000)	(330,610)	-	(30,610)
Sale of Capital Asset	-	-	-	68,611	-	68,611
<b>Total Other Financing Sources (Uses)</b>	-	1,604,807	1,425,807	1,463,808	-	38,001
<b>Net Change in Budgetary Fund Balance</b>	(1,181,063)	(171,597)	(1,352,660)	\$ 1,039,614	\$ (864,929)	\$ 1,527,345
<b>Other Budgetary Items:</b>						
Free Cash and Other Reserves	-	187,315	187,315			
Prior Year Deficits	-	(15,718)	(15,718)			
Prior Year Encumbrances	1,181,063	-	1,181,063			
<b>Total Other Budgetary Items</b>	1,181,063	171,597	1,352,660			
<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, 2017**

	<b>Revenues</b>	<b>Expenditures</b>
<b>Reported on a Budgetary Basis</b>	<b>\$ 57,498,629</b>	<b>\$ 57,922,823</b>
 <i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	35,700	-
Net Decrease in Revenue from recording Refund Taxes Payable	(17,000)	-
Net Decrease in Revenue from Recording 60-Day Receipts	(10,000)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	5,419,949	-
Recognition of Expenditures - "on behalf payments"	-	5,419,949
	<b>\$ 62,927,278</b>	<b>\$ 63,342,772</b>
<b>Reported on a GAAP Basis</b>	<b>\$ 62,927,278</b>	<b>\$ 63,342,772</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, 2017**

	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	\$ 2,846,682	\$ 90,284	\$ 2,936,966	\$ 8,492,001
User Charges, net of allowance for uncollectibles	246,504	-	246,504	-
Departmental	-	-	-	97,303
Special Assessments	17,225	-	17,225	-
Total current assets	<u>3,110,411</u>	<u>90,284</u>	<u>3,200,695</u>	<u>8,589,304</u>
<b>NONCURRENT:</b>				
Special Assessments	146,830	-	146,830	-
Capital Assets, net of accumulated depreciation:				
Nondepreciable	791,763	-	791,763	-
Depreciable	6,697,766	370,611	7,068,377	-
Total noncurrent assets	<u>7,636,359</u>	<u>370,611</u>	<u>8,006,970</u>	<u>-</u>
<b>Total Assets</b>	<u>10,746,770</u>	<u>460,895</u>	<u>11,207,665</u>	<u>8,589,304</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows Related to Pensions	216,773	32,758	249,531	-
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Accounts Payable	46,664	1,050	47,714	126,653
Accrued Payroll	7,390	3,786	11,176	77
Payroll Withholdings	-	-	-	139,716
Accrued Interest	20,651	-	20,651	-
Accrued Claims	-	-	-	311,161
Compensated Absences	4,131	3,322	7,453	-
Bonds and Leases Payable	193,000	60,859	253,859	-
Total current liabilities	<u>271,836</u>	<u>69,017</u>	<u>340,853</u>	<u>577,607</u>
<b>NONCURRENT:</b>				
OPEB Obligation Payable	440,498	-	440,498	-
Net Pension Liability	1,345,267	203,292	1,548,559	-
Bonds and Leases Payable	1,933,000	193,752	2,126,752	-
Total noncurrent liabilities	<u>3,718,765</u>	<u>397,044</u>	<u>4,115,809</u>	<u>-</u>
<b>Total Liabilities</b>	<u>3,990,601</u>	<u>466,061</u>	<u>4,456,662</u>	<u>577,607</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows Related to Pensions	8,054	1,217	9,271	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	5,363,529	116,000	5,479,529	-
Restricted for Capital Projects	1,242,050	-	1,242,050	-
Unrestricted	359,309	(89,625)	269,684	8,011,697
<b>Total Net Position</b>	<u>\$ 6,964,888</u>	<u>\$ 26,375</u>	<u>\$ 6,991,263</u>	<u>\$ 8,011,697</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, 2017**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Pakachoag Golf Course Fund	Total	
<b>Operating Revenues:</b>				
Employer Contributions	\$ -	\$ -	\$ -	\$ 5,209,389
Employee/Retirees Contributions	-	-	-	1,668,956
Charges for Services	2,643,523	364,971	3,008,494	-
Other	19,942	-	19,942	220,212
<b>Total Operating Revenues</b>	<b>2,663,465</b>	<b>364,971</b>	<b>3,028,436</b>	<b>7,098,557</b>
<b>Operating Expenses:</b>				
Salaries & Wages	400,282	139,499	539,781	-
Operating Expenses	1,490,667	116,429	1,607,096	360,578
Depreciation	548,957	45,642	594,599	-
Employee Benefits and Insurance	-	-	-	5,951,133
	2,439,906	301,570	2,741,476	6,311,711
<b>Operating Income (Loss)</b>	<b>223,559</b>	<b>63,401</b>	<b>286,960</b>	<b>786,846</b>
<b>Non-Operating Revenues (Expenses):</b>				
Investment Income	3,550	1,433	4,983	15,547
Special Assessments	11,077	-	11,077	-
Interest Expense	(64,925)	-	(64,925)	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(50,298)</b>	<b>1,433</b>	<b>(48,865)</b>	<b>15,547</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>173,261</b>	<b>64,834</b>	<b>238,095</b>	<b>802,393</b>
<b>Operating Transfers:</b>				
Transfers In/(Out)	(273,985)	(189,154)	(463,139)	-
<b>Total Operating Transfers</b>	<b>(273,985)</b>	<b>(189,154)</b>	<b>(463,139)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(100,724)</b>	<b>(124,320)</b>	<b>(225,044)</b>	<b>802,393</b>
<b>Net Position at Beginning of Year</b>	<b>7,065,612</b>	<b>150,695</b>	<b>7,216,307</b>	<b>7,209,304</b>
<b>Net Position at End of Year</b>	<b>\$ 6,964,888</b>	<b>\$ 26,375</b>	<b>\$ 6,991,263</b>	<b>\$ 8,011,697</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, 2017**

	Business-Type			Governmental Activities - Internal Service Fund
	Business-Type Activities Enterprise Funds			
	Sewer Fund	Pakachoag Golf Course Fund	Total	
<b>Cash Flows From Operating Activities:</b>				
Receipts from Customers and Users	\$ 2,643,832	\$ 364,971	\$ 3,008,803	\$ -
Receipts from Other Revenues	19,942	-	19,942	196,883
Receipts from Interfund Services Provided	-	-	-	6,822,055
Payments to Vendors and Employees	(1,881,238)	(241,211)	(2,122,449)	-
Payments for Interfund Services Used	-	-	-	(6,322,583)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>782,536</b>	<b>123,760</b>	<b>906,296</b>	<b>696,355</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers from (to) Other Funds	(273,985)	(30,236)	(304,221)	-
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(273,985)</b>	<b>(30,236)</b>	<b>(304,221)</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Special Assessments	78,815	-	78,815	-
Acquisition and Construction of Capital Assets	(321,969)	(251,307)	(573,276)	-
Proceeds from Capital Lease	-	251,307	251,307	-
Principal Payments on Bonds and Leases	(195,000)	(59,087)	(254,087)	-
Interest Expense	(66,266)	-	(66,266)	-
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(504,420)</b>	<b>(59,087)</b>	<b>(563,507)</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>				
Investment Income	3,550	1,433	4,983	15,547
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>3,550</b>	<b>1,433</b>	<b>4,983</b>	<b>15,547</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>7,681</b>	<b>35,870</b>	<b>43,551</b>	<b>711,902</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>2,839,001</b>	<b>54,414</b>	<b>2,893,415</b>	<b>7,780,099</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,846,682</b>	<b>\$ 90,284</b>	<b>\$ 2,936,966</b>	<b>\$ 8,492,001</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>				
<b>Operating Income (Loss)</b>	\$ 223,559	\$ 63,401	\$ 286,960	\$ 786,846
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>				
Depreciation	548,957	45,642	594,599	-
Deferred (Outflows)/Inflows of Resources Related to Pensions	(110,649)	(18,006)	(128,655)	-
Change in Assets and Liabilities:				
Increase (Decrease) in Warrants Payable/Accounts Payable	6,348	(2,296)	4,052	90,740
Increase (Decrease) in Accrued Payroll	1,961	858	2,819	77
Increase (Decrease) in Payroll Withholdings	-	-	-	(56,290)
Increase (Decrease) in Accrued Claims	-	-	-	(101,689)
Increase (Decrease) in OPEB Liability	15,737	-	15,737	-
Increase (Decrease) in Net Pension Liability	95,765	30,839	126,604	-
Increase (Decrease) in Compensated Absences	549	3,322	3,871	-
Decrease (Increase) in User Charges Receivable	309	-	309	-
Decrease (Increase) in Departmental	-	-	-	(23,329)
<b>Total Adjustments</b>	<b>558,977</b>	<b>60,359</b>	<b>619,336</b>	<b>(90,491)</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 782,536</b>	<b>\$ 123,760</b>	<b>\$ 906,296</b>	<b>\$ 696,355</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, 2017**

	<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	\$ -	\$ 500	\$ 186,050
Investments	3,011,409	113,902	-
<b>Total Assets</b>	<b>3,011,409</b>	<b>114,402</b>	<b>186,050</b>
<b>LIABILITIES</b>			
Warrants Payable	-	100	1,668
Escrows and Deposits	-	-	108,231
Due to Students	-	-	76,151
<b>Total Liabilities</b>	<b>-</b>	<b>100</b>	<b>186,050</b>
<b>NET POSITION</b>			
Held in Trust for Other Purposes	\$ 3,011,409	\$ 114,302	\$ -

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, 2017**

	<b>Other Post Employment Benefits Trust Fund</b>	<b>Private Purpose Trust Funds</b>
<b>Additions</b>		
Contributions:		
Employer	\$ 1,985,339	\$ -
Private Donations	-	23,016
<b>Total Contributions</b>	<b>1,985,339</b>	<b>23,016</b>
Investment Income	199,714	1,370
<b>Total Additions</b>	<b>2,185,053</b>	<b>24,386</b>
<b>Deductions:</b>		
Educational Scholarships	-	15,916
Employee Benefits and Insurance	1,385,339	-
<b>Total Deductions</b>	<b>1,385,339</b>	<b>15,916</b>
<b>Change in Net Position</b>	<b>799,714</b>	<b>8,470</b>
<b>Net Position at Beginning of Year</b>	<b>2,211,695</b>	<b>105,832</b>
<b>Net Position at End of Year</b>	<b>\$ 3,011,409</b>	<b>\$ 114,302</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, 2017**

**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 2017, it was determined that no entities met the required GASB-39 and GASB-61 criteria for component units.

The Town is responsible for electing the governing board and/or committee members of the 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, 2017**

**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, 2017**

**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, 2017**

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, 2017**

**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, 2016 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town 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, 2017**

The Town mailed preliminary tax bills for the fiscal year 2017 on June 30, 2016 and September 29, 2016, that were due on August 1, 2016 and November 1, 2016 and actual bills on December 30, 2016 and March 29, 2017 that were due on February 1, 2017 and May 1, 2017.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2017 is as follows;

Legal Levy Limit Under Proposition 2 1/2 for fiscal year 2017	\$ 41,443,605
Add: Debt Exclusion	<u>2,811,548</u>
	<u><u>\$ 44,255,153</u></u>

The total amount raised by taxation was \$40,189,751.

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, 2017**

**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, 2017**

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

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

**Government-wide financial statements**

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

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

**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, 2017**

“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, 2017**

**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, 2017**

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 2017, the Town incurred a final budget deficit of \$1,352,660 for the General Fund.

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

Unassigned fund balance:	
Overlay surplus	\$ 100,000
Reserved for deficits	(15,718)
Reserve for debt	87,315
Prior year's encumbrances	1,181,063
	<u>1,352,660</u>
	<u>\$ 1,352,660</u>

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

**B. Deficit Fund Balances**

The following funds have deficits at June 30, 2017 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 \$2,609,804. The Town has an outstanding bond anticipation note for \$3,583,666. The deficit will be eliminated upon the future receipt of grant funds or upon the issuance of permanent debt.
- The *Swanson Accelerated Repairs Fund*, a capital and Massachusetts School Building Administration (MSBA) project, has a deficit of \$4,486. The Town has authorized debt for \$3,024,153. The deficit will be eliminated upon the future receipt of grant funds or upon the issuance of permanent debt.
- The *Fiscal Year 2017 General Obligation Bond* capital project has a deficit of \$92,496. The Town has an outstanding bond anticipation note for \$622,000. The deficit will be eliminated upon the issuance of permanent debt.

**3. DETAILED NOTES**

**A. Deposits and Investments**

**Custodial Credit Risks – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2017 were \$36,046,408. 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, 2017**

As of June 30, 2017, 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	\$ 1,096,062	\$ -	\$ 1,096,062
U. S. government agencies	1,766,188	-	1,766,188
Corporate bonds	1,239,027	484,725	754,302
Money market mutual fund	203,620	203,620	-
	<u>4,304,897</u>	<u>\$ 688,345</u>	<u>\$ 3,616,552</u>
<b>Other Investments:</b>			
Certificate of deposits	2,115,561		
Equity mutual funds	3,395,496		
Equity securities - domestic (stocks)	1,251,247		
MMDT	332,903		
	<u>\$ 11,400,104</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 \$11,400,104 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, 2017**

**Credit Risk**

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

Related Debt Instruments	Fair Value
<b>Moody's Quality Ratings</b>	
<b><i>U. S. Treasury Obligations:</i></b>	
Aaa	\$ 1,096,062
<b><i>U. S. Government Agencies:</i></b>	
Aaa	1,766,188
<b><i>Corporate Bonds:</i></b>	
A1	149,858
A3	398,772
Baa1	589,972
Baa2	100,425
<b><i>Money Market Mutual Funds:</i></b>	
Not rated	203,620
	\$ 4,304,897

**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 12.17% 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, 2017**

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

Investment Type	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U. S. treasury obligations	\$ 1,096,062	\$ 1,096,062	\$ -	\$ -
U. S. government agencies	1,766,188	1,766,188	-	-
Certificates of deposit	2,115,561	2,115,561	-	-
Equity mutual funds	3,395,496	3,395,496	-	-
Equity securities - domestic	1,251,247	1,251,247	-	-
Money market mutual fund	203,620	203,620	-	-
Corporate bonds	1,239,027	-	1,239,027	-
	11,067,201	\$ 9,828,174	\$ 1,239,027	\$ -
Investments Measured at Amortized Cost:				
External Investment Pools (MMDT)	332,903			
<b>Total Investments</b>	<b>\$ 11,400,104</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, 2017, 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	\$ 785,657	\$ (75,795)	\$ 709,862
Deferred property taxes	34,396	(2,450)	31,946
Tax liens	893,914	-	893,914
Excise taxes	308,917	(80,000)	228,917
Departmental	956,670	(348,412)	608,258
Special assessments	6,608	-	6,608
Due from other governments	1,765,672	-	1,765,672
	<b>\$ 4,751,834</b>	<b>\$ (506,657)</b>	<b>\$ 4,245,177</b>

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

At June 30, 2017, 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	\$ 216,410	\$ (4,000)	\$ 212,410
Sewer tax liens	34,094	-	34,094
Special assessments	164,055	-	164,055
	\$ 414,559	\$ (4,000)	\$ 410,559

The composition of amounts due from other governments as of June 30, 2017 for governmental funds is as follows:

**Governmental Funds:**

**General Fund:**

***Commonwealth of Massachusetts:***

Department of Revenue:

Veterans, blind and surviving spouses

	\$ 107,526	
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Department of Veterans Services:

Veterans benefits	33,950	\$ 141,476
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**Nonmajor Governmental Funds:**

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

School lunch

	73,242	
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***U. S. Department of Education:***

School title grants

	3,395	
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***Commonwealth of Massachusetts:***

Department of Elementary and Secondary Education:

School lunch

	2,053	
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Executive Office of Public Safety and Homeland Security:

Public safety grants

	16,134	
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Massachusetts Department of Transportation:

Highway Department - Chapter 90 funds

	667,083	
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Massachusetts Emergency Management Agency

	4,310	
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Massachusetts School Building Assistance:

School building assistance

	853,979	
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***Other:***

	4,000	1,624,196
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	\$ 1,765,672	
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**TOWN OF AUBURN, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

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

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

<b>General Fund:</b>			
Property taxes	\$	632,862	
Deferred property taxes		31,946	
Tax liens		893,914	
Excise taxes		228,917	
Departmental		169,779	
Special assessments		6,608	
Due from other governments		33,950	\$ 1,997,976
<b>Nonmajor Governmental Funds:</b>			
Departmental		375,530	
Due from other governments		115,903	491,433
			\$ 2,489,409

**D. Capital Assets**

Capital asset activities for the year ended June 30, 2017 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	\$ 8,796,844	\$ -	\$ (199,181)	\$ 8,597,663
Construction in progress	1,213,886	529,308	(1,431,035)	312,159
Total capital assets not being depreciated	10,010,730	529,308	(1,630,216)	8,909,822
Capital assets being depreciated:				
Buildings and Renovations	107,500,186	1,879,201	-	109,379,387
Machinery, equipment and other	11,421,384	638,155	(303,589)	11,755,950
Infrastructure	27,707,921	1,453,242	-	29,161,163
Total capital assets being depreciated	146,629,491	3,970,598	(303,589)	150,296,500
Less accumulated depreciation for:				
Buildings and Renovations	24,385,011	3,298,819	-	27,683,830
Machinery, equipment and other	8,746,902	757,622	(303,589)	9,200,935
Infrastructure	14,588,311	836,921	-	15,425,232
Total accumulated depreciation	47,720,224	4,893,362	(303,589)	52,309,997
Total capital assets being depreciated, net	98,909,267	(922,764)	-	97,986,503
Total governmental activities capital assets, net	\$ 108,919,997	\$ (393,456)	\$ (1,630,216)	\$ 106,896,325

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

<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	-	288,733
Total capital assets not being depreciated	503,030	288,733	-	791,763
Capital assets being depreciated:				
Buildings and Renovations	4,833,213	-	-	4,833,213
Machinery, equipment and other	2,088,818	251,307	(33,540)	2,306,585
Infrastructure	18,525,154	33,236	-	18,558,390
Total capital assets being depreciated	25,447,185	284,543	(33,540)	25,698,188
Less accumulated depreciation for:				
Buildings and Renovations	4,026,732	96,664	-	4,123,396
Machinery, equipment and other	1,578,432	106,292	(33,540)	1,651,184
Infrastructure	12,463,588	391,643	-	12,855,231
Total accumulated depreciation	18,068,752	594,599	(33,540)	18,629,811
Total capital assets being depreciated, net	7,378,433	(310,056)	-	7,068,377
Total business-type activities capital assets, net	\$ 7,881,463	\$ (21,323)	\$ -	\$ 7,860,140

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

**Governmental Activities:**

General government	\$ 44,129
Public safety	441,677
Public works	1,085,086
Education	3,026,617
Health and human services	71,053
Culture and recreation	224,800
Total depreciation expense - governmental activities	<u>\$ 4,893,362</u>

**Business-Type Activities:**

Sewer fund	\$ 548,957
Pakachoag golf course fund	45,642
Total depreciation expense - business-type activities	<u>\$ 594,599</u>

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

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

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

Transfers Out:	Transfers In:		
	General fund	Nonmajor Governmental fund	Total
General fund	\$ -	\$ 30,610	\$ 30,610
Nonmajor governmental funds	1,421,586	-	1,421,586
Business-type fund	304,221	-	304,221
Total transfers out	\$ 1,725,807	\$ 30,610	\$ 1,756,417

The remaining \$158,918 amount shown on the Statement of Activities represents a transfer of the net pension liability from the enterprise funds.

**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:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
<b>Asset:</b>		
Machinery, Equipment and Other	\$ 1,756,633	\$ 393,929
Less: Accumulated Depreciation	(455,422)	(58,917)
Total	\$ 1,301,211	\$ 335,012

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

Year Ending June 30,	<b>Governmental Activities</b>	<b>Business-type Activities</b>
2018	\$ 306,792	\$ 68,266
2019	197,245	68,267
2020	118,650	68,266
2021	88,776	68,267
2022	88,775	-
Total minimum lease payments	800,238	273,066
Less: amount representing interest	(56,656)	(18,455)
Present value of minimum lease payments	\$ 743,582	\$ 254,611

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

**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, 2016	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2017
<b>Governmental Activities</b>						
<b>Bond Anticipation Notes:</b>						
Middle School project	1.00%	9/15/2016	\$ 5,142,235	\$ -	\$ 5,142,235	\$ -
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
Total Governmental Activities			<u>\$ 5,142,235</u>	<u>\$ 4,205,666</u>	<u>\$ 5,142,235</u>	<u>\$ 4,205,666</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, 2017**

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

	<b>Interest Rate</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Original Amount Issued</b>	<b>Outstanding June 30, 2017</b>
<b>Inside Debt:</b>					
General Obligation Bonds 2009:					
Remodeling Projects	3.0-5.0%	9/1/2008	9/1/2018	949,060	180,000
Departmental Equipment	3.0-5.0%	9/1/2008	9/1/2018	830,819	65,000
Drainage	3.0-5.0%	9/1/2008	9/1/2018	859,121	10,000
Dam Repairs	3.0-5.0%	9/1/2008	9/1/2018	60,000	10,000
General	3.0-5.0%	9/1/2008	9/1/2018	100,000	10,000
General Obligation Bonds 2012	.97-1.4%	3/22/2012	3/15/2026	7,436,000	4,040,000
General Obligation Bonds 2013	.84-1.47%	1/15/2013	1/15/2023	4,434,027	2,184,000
General Obligation Bonds 2014:					
School Construction	2.0-4.0%	4/1/2014	6/1/2024	9,970,000	7,200,000
Land Acquisition	2.0-4.0%	4/1/2014	6/1/2024	755,000	550,000
Municipal Purpose Loan 2014:					
Various projects	2.63%	9/15/2014	9/15/2034	1,827,667	1,385,000
Land Acquisition	2.63%	9/15/2014	9/15/2020	150,000	85,000
School Construction	2.63%	9/15/2014	9/15/2020	795,000	530,000
General Obligation Bonds 2015:					
Various projects	2.52%	9/1/2015	9/1/2025	2,659,500	2,302,000
Land Acquisition	2.52%	9/1/2015	9/1/2025	2,865,000	2,575,000
Road improvements	2.52%	9/1/2015	9/1/2025	2,200,000	198,000
<b>Massachusetts Clean Water Trust:</b>					
Stormwater Development	2.00%	3/18/2009	7/15/2028	346,216	<u>223,298</u>
Total Inside Debt					<u>21,547,298</u>
<b>Outside Debt:</b>					
Municipal Purpose Loan 2014:					
Middle School Construction	2.63%	9/15/2014	9/15/2034	13,653,000	12,275,000
Municipal Purpose Loan 2015:					
Middle School Construction	2.52%	9/1/2015	9/1/2025	5,000,000	<u>4,750,000</u>
Total Outside Debt					<u>17,025,000</u>
<b>Total governmental type debt</b>					<u><u>\$ 38,572,298</u></u>

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

**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, 2017 are as follows:

Year	Principal	Interest	Total
2018	\$ 4,458,630	\$ 1,267,355	\$ 5,725,985
2019	4,339,966	1,136,010	5,475,976
2020	4,046,309	1,000,413	5,046,722
2021	3,762,659	856,984	4,619,643
2022	3,433,015	729,402	4,162,417
2023-2027	10,800,684	1,936,702	12,737,386
2028-2032	4,691,035	832,231	5,523,266
2033-2036	3,040,000	163,262	3,203,262
	<u>\$ 38,572,298</u>	<u>\$ 7,922,359</u>	<u>\$ 46,494,657</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, 2017
<b>Sewer Fund:</b>					
<b>Inside Debt:</b>					
Sewer system repairs	1.86%	3/22/2012	3/15/2026	\$ 1,200,000	\$ 765,000
Total Inside Debt					<u>765,000</u>
<b>Outside Debt:</b>					
Sewer mains design and construction	1.27%	1/15/2013	1/15/2020	313,000	126,000
Sewer mains	2.52%	9/1/2015	9/1/2035	1,300,000	1,235,000
Total Outside Debt					<u>1,361,000</u>
<b>Total Business-type debt</b>					<u><u>\$ 2,126,000</u></u>

**Future Debt Service**

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

Year	Principal	Interest	Total
2018	\$ 193,000	\$ 62,061	\$ 255,061
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
2023-2027	665,000	139,472	804,472
2028-2032	325,000	66,991	391,991
2033-2036	260,000	17,144	277,144
	<u>\$ 2,126,000</u>	<u>\$ 484,937</u>	<u>\$ 2,610,937</u>

**TOWN OF AUBURN, MASSACHUSETTS**  
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**Year Ended June 30, 2017**

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

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due within One Year
<b>Governmental activities:</b>					
<b>Bonds Payable:</b>					
General obligation bonds Massachusetts Clean Water Trust bonds	\$ 43,058,500	\$ -	\$ 4,709,500	\$ 38,349,000	\$ 4,442,000
<b>Capital lease</b>	239,599	-	16,301	223,298	16,630
<b>Compensated absences</b>	895,273	129,761	281,452	743,582	282,704
<b>OPEB liability obligation</b>	1,019,734	63,558	-	1,083,292	270,823
<b>Net pension liability</b>	35,553,698	3,040,869	-	38,594,567	-
Governmental activity Long-term liabilities	33,071,479	5,838,235	-	38,909,714	-
	<u>\$ 113,838,283</u>	<u>\$ 9,072,423</u>	<u>\$ 5,007,253</u>	<u>\$ 117,903,453</u>	<u>\$ 5,012,157</u>
<b>Business-type activities:</b>					
<b>Bonds Payable:</b>					
General obligation bonds	\$ 2,321,000	\$ -	\$ 195,000	\$ 2,126,000	\$ 193,000
<b>Capital lease</b>	62,391	251,307	59,087	254,611	60,859
<b>Compensated absences</b>	3,582	3,871	-	7,453	7,453
<b>OPEB liability obligation</b>	424,761	15,737	-	440,498	-
<b>Net pension liability</b>	1,249,502	299,057	-	1,548,559	-
Business-type activity Long-term liabilities	\$ 4,061,236	\$ 569,972	\$ 254,087	\$ 4,377,121	\$ 261,312

**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, 2017 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, 2017 totaled \$22,312,298.

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**  
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**Year Ended June 30, 2017**

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

Equalized Valuation-Real Estate and Personal Property (2016)		\$	<u>2,042,948,200</u>
Debt Limit: 5 % of Equalized value			102,147,410
Total Debt Outstanding	\$		40,698,298
Less: Debt Outside Debt Limit		(18,386,000)	<u>22,312,298</u>
Inside Debt Excess Borrowing Capacity at June 30, 2017		\$	<u>79,835,112</u>

**Loans Authorized and Unissued - Memorandum Only**

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as of June 30, 2017 and are not reflected in the Town's financial statements are as follows:

Date Town Meeting Authorized	Purpose	Amount
5/7/2013	New Auburn Middle School	\$ 22,274,568
5/6/2014	Fy2015 capital improvement program	50,000
3/24/2015	School roof and boiler replacements	3,024,153
5/5/2015	Fy2016 capital improvement program	85,000
5/5/2016	Fy2017 capital improvement program	100,000
3/28/2017	Pakachoag Elementary School roof	958,482
5/2/2017	Fy2018 capital improvement program	649,000
		<u>\$ 27,141,203</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, 2017**

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	\$ 26,015,000	13.42%	<u>\$ 3,491,213</u>

The Southern Worcester County Regional Vocational School District also has bond anticipation notes outstanding as of June 30, 2017 of \$3 million for school construction. The Town of Auburn's share is 13.42% of this note.

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

**I. Fund Balances**

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

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable:			
Permanent funds	\$ -	\$ 969,164	\$ 969,164
Restricted:			
Federal, state and local grants	-	85,328	85,328
School federal and state grants	-	587,835	587,835
School revolving funds	-	1,995,758	1,995,758
Town revolving funds	-	780,040	780,040
Pension reserve fund	-	1,479,884	1,479,884
Donations and gifts	-	246,387	246,387
Technology	-	317,773	317,773
Debt service	736,590	29,649	766,239
Capital improvements trust	-	1,569,967	1,569,967
High school gymnasium health and recreation trust	-	526,380	526,380
Capital projects	-	1,095,130	1,095,130
Permanent funds	-	667,036	667,036
Other	-	425,802	425,802
	<u>736,590</u>	<u>9,806,969</u>	<u>10,543,559</u>
Committed:			
Ambulance	-	2,199,102	2,199,102
Assigned:			
General government	156,411	-	156,411
Public safety	33,657	-	33,657
Public works	75,025	-	75,025
Education	512,539	-	512,539
Health and human services	20,987	-	20,987
Culture and recreation	33,291	-	33,291
Employee benefits and Insurance	33,019	-	33,019
Subsequent year's budget	100,000	-	100,000
	<u>964,929</u>	<u>-</u>	<u>964,929</u>
Unassigned:			
General Fund	14,552,323	-	14,552,323
Deficit capital projects	-	(2,706,786)	(2,706,786)
	<u>14,552,323</u>	<u>(2,706,786)</u>	<u>11,845,537</u>
Total Governmental fund balances	<u>\$ 16,253,842</u>	<u>\$ 10,268,449</u>	<u>\$ 26,522,291</u>

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

**J. Special Trust Funds**

**Stabilization Fund**

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

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

General purpose stabilization fund	\$ 2,676,573
School stabilization fund	5,322
	\$ 2,681,895

**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, 2017, the amount of the liability for health insurance claims totaled \$311,161. 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, 2017 and the two preceding years are as follows:

	Balance at Beginning of Fiscal Year	Claims Payments	Balance at Fiscal Year End
Fiscal Year 2017	\$ 412,850	\$ (5,503,210)	\$ 311,161
Fiscal Year 2016	\$ 377,457	\$ (5,769,472)	\$ 412,850
Fiscal Year 2015	\$ 320,886	\$ (5,465,458)	\$ 377,457

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

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

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

**B. Contingent Liabilities**

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

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

**C. Subsequent Events**

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

**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, 2017**

**Special Funding Situation**

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in the MTRS. Since the Town does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2016. The Town's portion of the collective pension expense contributed by the Commonwealth of \$5,419,949 on-behalf payments for the fiscal year ending June 30, 2017 is reported as intergovernmental revenues and insurance and employee benefits expenditures in the General Fund as of the measurement date.

**Benefits Provided**

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

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

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

**Contributions**

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2016 was \$2,346,309, representing 16.9% 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, 2017**

**Pension Liability**

As of June 30, 2017, a reported liability of \$40,458,273 is the Town's proportionate share of the net pension liability as measured as of December 31, 2016. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2016, the Town's proportional percentage was 4.8303%, which was a slight decrease from the last measurement.

**Pension Expense**

For the year ended June 30, 2017, the Town recognized a pension expense of \$4,900,209 and reported deferred outflows of resources related to pensions of \$6,519,350 from the differences between expected and actual experience, the net difference between projected and actual investment earnings on pension plan investments and changes in assumptions and deferred inflows of resources related to pensions of \$242,223 from the changes in proportion and differences between employer contributions and proportionate share of contributions.

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>2018</b>	<b>\$ 1,498,112</b>
<b>2019</b>	<b>1,498,111</b>
<b>2020</b>	<b>1,493,790</b>
<b>2021</b>	<b>1,065,725</b>
<b>Thereafter:</b>	<b>721,389</b>
	<b><u>\$ 6,277,127</u></b>

**Actuarial Assumptions**

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

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

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

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% per year
Salary increases	Group 1: 6% - 4.25%, based on service Group 4: 7% - 4.75%, based on service
Payroll growth	4% per year
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB for disabled members

**Long-term Expected Rate of Return**

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

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2016, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	40%	4.97%
Fixed income	22%	2.29%
Private Equity	11%	6.50%
Real Estate	10%	3.50%
Timber/Natural Resources	4%	3.00%
Hedge Funds	13%	3.48%
Other	0%	0.00%
Total	<u>100%</u>	

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

**Rate of Return**

For the year ended December 31, 2016, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 7.06%. The money-weighted rate of return considers the changing amounts actually invested during a period and weighs the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

**Discount Rate**

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

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

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

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
Town's net pension liability	\$ 48,732,466	\$ 40,458,273	\$ 33,473,482

**E. Other Post Employment Benefits Payable**

**GASB Statement No. 45**

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

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009 and thus recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

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

**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 934 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

**Funding Policy**

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2017 fiscal year, total Town premiums plus implicit costs for the retiree medical program used in the OPEB cost are \$2,074,276 consisting of \$2,054,596 for governmental activities and \$19,680 for the business-type activities.

**Annual OPEB Cost and Net OPEB Obligation**

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

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Annual required contribution	\$ 4,914,230	\$ 34,658	\$ 4,948,888
Interest on net OPEB obligation	1,422,148	16,990	1,439,138
Adjustment to annual required contribution	(1,240,913)	(16,231)	(1,257,144)
Annual OPEB cost (expense)	5,095,465	35,417	5,130,882
Contributions made during the fiscal year	(2,054,596)	(19,680)	(2,074,276)
Increase in net OPEB obligation	3,040,869	15,737	3,056,606
Net OPEB Obligation - beginning of year	35,553,698	424,761	35,978,459
Net OPEB Obligation - end of year	<u>\$ 38,594,567</u>	<u>\$ 440,498</u>	<u>\$ 39,035,065</u>

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

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2017	\$ 5,130,882	40.4%	\$ 39,035,065
6/30/2016	\$ 4,902,652	37.2%	\$ 35,978,459
6/30/2015	\$ 5,664,259	37.0%	\$ 32,898,818

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

**Funded Status and Funding Process**

As of June 30, 2016 the most recent valuation date, the plan was 3.7% funded. The actuarial liability for benefits was \$59,489,764, and the actuarial value of assets was \$2,216,871, resulting in an unfunded actuarial accrued liability (UAAL) of \$57,272,893. The covered payroll (annual payroll of active employees covered by the plan) was \$32,510,903 and the ratio of the UAAL to the covered payroll was 176.2%.

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

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

**Actuarial Methods and Assumptions**

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

The Town OPEB actuarial valuation as of June 30, 2016, used the projected unit credit cost method. The OPEB liability is currently funded and the actuarial assumptions include a partial prefunding 4.0% interest rate and full prefunding 8.0% interest rate, and a 4.0% discount rate. Medical and dental care inflation trend is 6.0% in 2017, decreasing for four years to an ultimate rate of 4.5% per year.

The unfunded actuarial accrued liability is being amortized over 30 years on a level percent of pay, open basis for partial and closed basis for full prefunding method forecast. The remaining amortization period at June 30, 2017 is 22 years.

**GASB Statement No. 74**

The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2017, the trust balance is \$3,011,409.

**Investments**

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

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

**Net OPEB Liability**

The components of the net OPEB liability are as follows:

	<b>6/30/2017</b>
Total OPEB liability	\$ 34,714,887
Less: Plan fiduciary net position	(3,011,409)
City's Net OPEB liability	\$ 31,703,478
 Plan fiduciary net position as a percentage of the total OPEB liability	 8.7%

**Actuarial Assumptions**

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

Valuation date	July 1, 2016
Actuarial cost method	Entry Age Normal
Investment rate of return	Full Prefunding: 7.75%, net of investment expenses
Healthcare cost trend rates	2016 medical trend rates: 6.00% annually Ultimate trend rates: 4.50% annually in 2019
Mortality rates	Both pre-retirement and beneficiary mortality rates are represented by the RP-2014 Blue Collar Mortality Table with Scale MP-2015, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and three years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality table set forward six years. Generational adjusting is based on Scale MP-2015.

**Rate of Return**

For the year ended June 30, 2017, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was not provided.

**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.

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

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

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

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Town's net OPEB liability	\$ 36,790,283	\$ 31,703,478	\$ 27,580,448

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

The following presents the Town's the net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00% decreasing to 3.50%) or 1-percentage-point higher (7.00 decreasing to 5.50%) than the current healthcare cost trend rates:

	<b>1% Decrease (5.00% decreasing to 3.50%)</b>	<b>Healthcare Cost Trend Rates (6.00% decreasing to 4.50%)</b>	<b>1% Increase (7.00% decreasing to 5.50%)</b>
Town's net OPEB liability	\$ 26,885,669	\$ 31,703,478	\$ 37,763,881

**F. Subsequent Event**

In September of 2017, the Town received \$3,256,000 in bond proceeds to finance the various construction and equipment projects (\$1,800,000 for the middle school construction and \$1,456,000 for various other construction and equipment projects). Principal payments will be due annually on September 1<sup>st</sup> for 10 years. Interest is payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup> commencing March 1, 2018.

**G. Implementation Of New GASB Pronouncements**

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

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

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

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

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

**H. Future GASB Pronouncements**

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

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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

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

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

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

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

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

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarially determined contribution	\$ 2,346,309	\$ 2,175,190	\$ 1,932,405
Less: Contributions in relation to the actuarially determined contribution	<u>(2,346,309)</u>	<u>(2,175,190)</u>	<u>(1,932,405)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 13,843,377	\$ 13,295,230	\$ 12,880,029
Contributions percentage of covered-employee payroll	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**  
**Schedule of Funding Progress and Employer Contributions**  
**Other Post Employment Benefit Plan (GASB 45) Schedule**  
**Year Ended June 30, 2017**

**Schedule of Funding Progress**

<b>Other Post Employment Benefits</b>						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2016	\$ 2,216,871	\$ 59,489,764	\$ 57,272,893	3.7%	\$ 32,510,903	176.2%
6/30/2014	\$ 1,047,456	\$ 67,950,702	\$ 66,903,246	1.5%	\$ 30,021,256	222.9%
6/30/2012	\$ -	\$ 79,986,669	\$ 79,986,669	0.0%	\$ 24,776,454	322.8%

**Schedule of Contribution Funding**

<b>Other Post Employment Benefits</b>			
Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions Made	Percentage Contributed
2017	\$ 5,130,882	\$ 2,074,276	40.4%
2016	\$ 4,902,652	\$ 1,823,011	37.2%
2015	\$ 5,664,259	\$ 2,093,875	37.0%

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

**Actuarial Methods:**

Valuation date	June 30, 2016
Actuarial cost method	Projected Unit Credit Method
Amortization method	30-year amortization payments

**Actuarial Assumptions:**

Investment rate of return	Partial Prefunding: 4.0%, net of investment expenses Full Prefunding: 8.0%, net of investment expenses
Medical/drug cost trend rate	6.0% in 2016, decreasing for four years to an ultimate rate of 4.5% per year in 2019.

**Plan Membership:**

Current active members	517
Current retirees, beneficiaries and dependents	417
Total	<u>934</u>

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

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

	<b>6/30/2017</b>
<b>Total OPEB liability</b>	
Service cost	\$ 960,005
Interest on net OPEB liability	2,474,327
Benefit payments, including refunds of member contributions	(1,474,276)
Net change in total OPEB liability	1,960,056
Total OPEB liability-beginning	32,754,831
<b>Total OPEB liability-ending (a)</b>	<b>\$ 34,714,887</b>
 <b>Plan fiduciary net position</b>	
Net investment income	\$ 199,714
Employer contributions to Trust	1,985,339
Benefit payments, including refunds of member contributions	(1,385,339)
Net change in plan fiduciary net position	799,714
Total fiduciary net position-beginning	2,211,695
<b>Total fiduciary net position-ending (b)</b>	<b>\$ 3,011,409</b>
 <b>Town's net OPEB liability (a-b)</b>	<b>\$ 31,703,478</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 (GASB 74) Schedules**  
**For the Year Ended June 30, 2017**

**Schedule of Net OPEB Liability:**

	<b>6/30/2017</b>
Total OPEB liability	\$ 34,714,887
Less: Plan fiduciary net position	(3,011,409)
Town's Net OPEB liability	\$ 31,703,478
Plan fiduciary net position as a percentage of the total OPEB liability	8.7%
Town's share of covered employee payroll	\$ 33,648,784
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	94.2%

**Schedule of Contributions:**

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

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

## **SUPPLEMENTARY SCHEDULES**

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

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
School Grants	\$ 31,472	\$ 698,739	\$ 705,928	\$ -	\$ 24,283
Arts Lottery Council Grant	3,924	5,405	4,285	-	5,044
Council on Aging Grants	-	44,743	44,743	-	-
Library Grants	39,653	28,867	16,980	-	51,540
Highway Grants	(30,610)	551,180	551,180	30,610	-
Other Grants and Programs	(50,566)	303,736	236,514	-	16,656
Public Safety Grants	(4,986)	104,574	87,500	-	12,088
<b>Schools:</b>					
School Lunch Program	226,119	880,779	747,034	-	359,864
School Lunch Commodities	-	60,521	60,521	-	-
School Choice	573,033	335,863	162,627	-	746,269
School Revolving Accounts	702,762	851,768	717,911	-	836,619
School Rentals	58,628	41,486	44,131	-	55,983
State Special Education Reimbursement Fund	601,725	563,021	604,171	-	560,575
<b>Other:</b>					
Ambulance Programs	1,961,840	1,470,834	46,959	(1,186,000)	2,199,715
Bid Deposits/Escrow	3,087	30,656	-	-	33,743
Board of Health Revolving Account	59,572	14,400	5,527	(12,000)	56,445
Casella Waste	50,000	50,000	-	(50,000)	50,000
Charter Communications Grants	360,377	253,229	295,833	-	317,773
Council on Aging Building Rental	6,206	6,397	3,437	-	9,166
Council on Aging Private Grants	2,731	1,000	1,200	-	2,531
Dog Fines	4,357	2,695	-	-	7,052
Dog License Fees	80,706	41,895	-	(20,000)	102,601
Gifts and Donations	215,328	104,131	48,073	(24,999)	246,387
Insurance Reimbursements	91,099	135,019	120,564	-	105,554
Library Lost/Damaged Items	8,588	1,211	-	-	9,799
Other Programs and Funds	2,322	50,800	50,000	-	3,122
Outside Work Revolving	(2,854)	376,995	374,141	-	-
Road Improvements	46,314	-	-	-	46,314
<b>Total Special Revenue Page 73</b>	<b>\$ 5,040,827</b>	<b>\$ 7,009,944</b>	<b>\$ 4,929,259</b>	<b>\$ (1,262,389)</b>	<b>\$ 5,859,123</b>

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

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
<b>Continued from Page 73</b>	\$ 5,040,827	\$ 7,009,944	\$ 4,929,259	\$ (1,262,389)	\$ 5,859,123
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
Pakachoag Golf Lease	14,207	-	-	(14,207)	-
Police Towing	12,585	4,915	-	(17,500)	-
Premium and Interest on Bonds	29,649	-	-	-	29,649
Revolving Accounts	319,345	314,269	277,266	-	356,348
Sale of Cemetery Lots	85,167	15,340	510	(30,000)	69,997
Sale of Real Estate	98,402	-	6,791	91,129	182,740
Seniors Disabled Revolving	955	210	-	-	1,165
Wetlands Protection Fees	54,107	12,115	-	(3,000)	63,222
Auburn High School Gymnasium Fund	529,381	4,979	-	(7,980)	526,380
Capital Improvement Trust	1,580,148	14,819	-	(25,000)	1,569,967
Conservation Fund	1,334	12	-	-	1,346
Federal Law Enforcement Fund	57,479	58	6,074	-	51,463
Law Enforcement Fund	48,539	4,869	788	-	52,620
Pension Reserve Fund	1,490,956	13,928	-	(25,000)	1,479,884
<b>Total Special Revenue Funds</b>	<b>9,363,081</b>	<b>7,395,458</b>	<b>5,220,688</b>	<b>(1,293,947)</b>	<b>10,243,904</b>
<b>Capital Projects:</b>					
Auburn Middle School Feasibility Study	17,171	-	-	-	17,171
Auburn Middle School Construction	(2,538,019)	-	71,785	-	(2,609,804)
Bryn Mawr Accelerated Repairs	(86,695)	57,025	-	30,224	554
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	-	-	-	1,753
Pondville Dam Repair	5,582	-	-	-	5,582
Swanson Accelerated Repairs	47,265	40,647	92,398	-	(4,486)
<b>Total Capital Projects Page 74</b>	<b>\$ (2,496,888)</b>	<b>\$ 97,672</b>	<b>\$ 164,183</b>	<b>\$ 30,224</b>	<b>\$ (2,533,175)</b>

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

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
<b>Continued from Page 74</b>	\$ (2,496,888)	\$ 97,672	\$ 164,183	\$ 30,224	\$ (2,533,175)
Fiscal Year 2006 General Obligation Bond Projects	27,625	-	11,359	-	16,266
Fiscal Year 2007 General Obligation Bond Projects	(75)	-	-	-	(75)
Fiscal Year 2008 General Obligation Bond Projects	14,453	-	14,453	-	-
Fiscal Year 2009 General Obligation Bond Projects	263,256	-	118,322	-	144,934
Fiscal Year 2010 General Obligation Bond Projects	36,087	-	-	-	36,087
Fiscal Year 2011 General Obligation Bond Projects	29,158	-	12,231	-	16,927
Fiscal Year 2012 General Obligation Bond Projects	112,731	-	95,770	-	16,961
Fiscal Year 2013 General Obligation Bond Projects	484,532	-	130,025	(30,224)	324,283
Fiscal Year 2014 General Obligation Bond Projects	108,597	-	74,627	-	33,970
Fiscal Year 2015 General Obligation Bond Projects	275,905	-	121,127	-	154,778
Fiscal Year 2016 General Obligation Bond Projects	961,112	-	820,434	129,761	270,439
Fiscal Year 2017 General Obligation Bond Projects	-	-	92,496	-	(92,496)
<b>Total Capital Project Funds</b>	<b>(183,507)</b>	<b>97,672</b>	<b>1,655,027</b>	<b>129,761</b>	<b>(1,611,101)</b>
<b>Perpetual Permanent Funds:</b>					
Cemetery Perpetual Care Fund	935,882	23,295	-	-	959,177
Library Fund	9,987	-	-	-	9,987
<b>Total Perpetual Permanent Funds</b>	<b>945,869</b>	<b>23,295</b>	<b>-</b>	<b>-</b>	<b>969,164</b>
<b>Permanent Funds:</b>					
Cemetery Perpetual Care Fund	373,716	13,769	540	(5,900)	381,045
Library Fund	151,097	1,462	-	-	152,559
Norma Card Fire Memorial Fund	131,565	1,313	-	-	132,878
<b>Total Permanent Funds</b>	<b>656,378</b>	<b>16,544</b>	<b>540</b>	<b>(5,900)</b>	<b>666,482</b>
<b>Total - Non-Major Governmental Funds</b>	<b>\$ 10,781,821</b>	<b>\$ 7,532,969</b>	<b>\$ 6,876,255</b>	<b>\$ (1,170,086)</b>	<b>\$ 10,268,449</b>

**TOWN OF AUBURN, MASSACHUSETTS  
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND SUPPLEMENTAL TAXES  
AND DEFERRED PROPERTY TAXES  
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Taxes July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2017	Uncollected Taxes Per Detail June 30, 2017
<b>Real Estate Taxes:</b>						
Levy of 2017	\$ -	\$ 38,080,102	\$ 281,472	\$ 37,238,104	\$ 560,526	\$ 560,526
Levy of 2016	513,136	-	213,046	286,392	13,698	13,698
Levy of 2015	111,323	-	30,448	70,315	10,560	10,554
Levy of 2014	10,028	-	8,192	(1,421)	3,257	3,380
Levy of 2013	6,232	-	1,256	67	4,909	4,909
Prior Years	72	-	-	63	9	9
	<u>640,791</u>	<u>38,080,102</u>	<u>534,414</u>	<u>37,593,520</u>	<u>592,959</u>	<u>593,076</u>
<b>Personal Property Taxes:</b>						
Levy of 2017	-	2,111,521	9,087	2,064,421	38,013	38,013
Levy of 2016	12,404	-	2	5,741	6,661	6,661
Levy of 2015	8,059	-	-	-	8,059	8,059
Levy of 2014	3,690	-	-	-	3,690	3,690
Levy of 2013	13,141	-	-	37	13,104	13,104
Prior Years	113,835	-	29,074	(28,711)	113,472	113,472
	<u>151,129</u>	<u>2,111,521</u>	<u>38,163</u>	<u>2,041,488</u>	<u>182,999</u>	<u>182,999</u>
<b>Supplemental Taxes</b>	<u>790</u>	<u>33,757</u>	<u>37</u>	<u>24,811</u>	<u>9,699</u>	<u>9,699</u>
<b>Total Real Estate, Personal Property and Supplemental Taxes</b>	<u>\$ 792,710</u>	<u>\$ 40,225,380</u>	<u>\$ 572,614</u>	<u>\$ 39,659,819</u>	<u>\$ 785,657</u>	<u>\$ 785,774</u>
<b>Deferred Property Taxes</b>	<u>\$ 31,570</u>	<u>\$ 2,826</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,396</u>	<u>\$ 34,396</u>

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

	<b>Uncollected Taxes July 1, 2016</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Taxes June 30, 2017</b>	<b>Uncollected Taxes Per Detail June 30, 2017</b>
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2017	\$ -	\$ 2,812,777	\$ 46,706	\$ 2,598,525	\$ 167,546	\$ 167,152
Levy of 2016	115,634	326,642	25,510	375,853	40,913	40,913
Levy of 2015	42,658	-	3,202	22,390	17,066	17,066
Levy of 2014	17,550	-	1,732	3,007	12,811	12,811
Levy of 2013	9,097	-	-	1,581	7,516	7,516
Prior Years	69,425	-	4,110	2,250	63,065	17,125
<b>Total Motor Vehicle Excise Taxes</b>	<b>\$ 254,364</b>	<b>\$ 3,139,419</b>	<b>\$ 81,260</b>	<b>\$ 3,003,606</b>	<b>\$ 308,917</b>	<b>\$ 262,583</b>

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

	<b>Uncollected Accounts July 1, 2016</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Accounts June 30, 2017</b>	<b>Uncollected Accounts Per Detail June 30, 2017</b>
<b>Tax Liens</b>	\$ 786,834	\$ 241,559	\$ -	\$ 154,290	\$ 874,103	\$ 876,372
<b>Tax Liens-Trash</b>	16,464	6,424	-	3,077	19,811	19,811
<b>Total Tax Liens</b>	<u>\$ 803,298</u>	<u>\$ 247,983</u>	<u>\$ -</u>	<u>\$ 157,367</u>	<u>\$ 893,914</u>	<u>\$ 896,183</u>