TOWN OF ROCKLAND, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2017

TOWN OF ROCKLAND, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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LM LYNCH MARINI & ASSOCIATES INC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Rockland, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rockland, Massachusetts (the Town), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 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 the 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rockland, Massachusetts, as of June 30, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

41 West Central Street
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508-650-0018

99 Longwater Circle, Suite 200
Norwell, MA 02061
781-871-5850

Change in Accounting Principle

As described in Note 16 to the financial statements, in 2017, the Town of Rockland, Massachusetts adopted new accounting guidance, *GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii to ix, and schedule of pension plan contributions, schedule of changes in the Town's net OPEB liability and related ratios, schedule of Town's contributions – other postemployment benefits, schedule of investment returns – other postemployment benefits and budgetary comparison information and related notes, on pages 41 through 49 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2018, on our consideration of the Town of Rockland, 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 Rockland, Massachusetts' internal control over financial reporting and compliance.

Lynch Marini + Associates Inc

Norwell, Massachusetts
March 19, 2018

MANAGEMENT’S DISCUSSION & ANALYSIS

As management of the Town of Rockland (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2017.

Financial Highlights:

- The liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of the Town the close of the most recent fiscal year by $16.9 million (deficit net position). The Town reported an increase in net position of approximately $156,000.

- The total cost of all Town services for fiscal year 2017 was approximately $80.9 million.

- As of the end of the current fiscal year, unassigned fund balance for the general fund was approximately $4.7 million, a decrease of approximately $200,000 from the prior year.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. Required supplementary information as mandated by the Government Accounting Standards Board (GASB) is presented following the financial statements and related notes to provide additional analysis.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources resulting in the aggregate net position of the Town. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The reader should consider non-financial factors, such as the condition of the Town's infrastructure and changes to the property tax base, in order to assess the overall health of the Town.

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 (i.e., uncollected taxes and estimated sick leave payouts).

Both of the government-wide financial statements distinguish functions of the Town 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 of the Town include general government, public safety, education, public works, water and sewer operations, human services, employee benefits and culture and recreation. The Town has no business-type 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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The Town does not have any proprietary funds.

Governmental funds: Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund statements focus on near term inflows and outflows of resources to be spent. The focus is also on the balances left at the end of the fiscal year available for spending. This information is useful in evaluating the Town's near term financing requirements. This approach is the modified accrual basis of accounting, which uses the flow of current financial resources measurement focus. Such statements provide a detailed short-term view of the Town's finances that assist in determining whether there will be adequate financial resources available to meet current needs.

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be major fund. The remaining funds are combined into aggregate funds in this presentation. Individual fund data for each of these non-major governmental funds is available from the Town Accountant's office.

The basic governmental fund financial statements can be found in the accompanying pages of this report.

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 statement because the resources of those funds are not available to support the Town's programs.

The basic fiduciary fund financial statements can be found in the accompanying pages of this report.

Notes to the 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. The notes to the financial statements follow the basic financial statements described above.

Required supplementary information: The supplementary information presented as required by governmental accounting standards, includes certain budgetary comparison information, employer pension plan contributions and information related to the Town's retiree benefits plan for health care (OPEB).

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Rockland, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $16.9 million (deficit net position) at the close of the most recent fiscal year as demonstrated in the following table. GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was adopted in fiscal year 2017 by the Town. Beginning net position was restated. No adjustments were made to the fiscal 2016 amounts below.

	FY2017 Governmental Activities	FY2016 Governmental Activities
Current assets	$ 29,421,685	$ 23,947,500
Capital assets	128,022,215	127,177,292
Total assets	157,443,900	151,124,792
Deferred outflows of resources	10,296,242	4,141,246
Total assets and deferred outflows	$ 167,740,142	$ 155,266,038
Current Liabilities	$ 9,442,391	$ 5,638,547
Long term liabilities	172,504,240	114,611,830
Total liabilities	181,946,631	120,250,377
Deferred inflows of resources	2,665,129	1,261,063
Net position:		
Net investment in capital assets	80,775,962	80,351,199
Restricted	10,965,339	9,975,345
Unrestricted	(108,612,919)	(56,571,946)
Total net position	(16,871,618)	33,754,598
Total liabilities, deferred inflows and net position	$ 167,740,142	$ 155,266,038

Included within the governmental activity current assets are approximately $22.2 million in cash, cash equivalents and investments, and $7.2 million of receivables.

Deferred outflows of resources of $10.3 million consist of $6.1 million associated with other postemployment benefit plan and $4.2 million associated with pension plan.

Current liabilities of $9.4 million consisted primarily of $2.7 million of accounts and salaries payable, $301,000 in accrued interest, $3.8 million in notes payable, and $2.6 million of long term bonds, capital leases and landfill monitoring costs due in fiscal year 2018.

Governmental activity long-term liabilities include $41.0 million in general obligation bonds, $34.3 million net pension obligation, $92.4 million for net other postemployment benefits (OPEB) obligations, $4.2 million for estimated compensated absences, $400,000 for estimated future landfill monitoring and related costs, and $136,000 for capital lease obligations.

Deferred inflows of resources of $2.7 million is comprised of $1.8 million of amounts associated with the Town's pension plan and $900,000 of unamortized bond premiums.

The largest portion of the Town's net position $80.8 million, reflects its investment in capital assets (i.e., land, buildings, machinery, and equipment); less any related debt or deferred outflows associated with acquiring those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, $11.0 million represents resources that are subject to restrictions placed on how they may be used. Included in this amount are the water and sewer funds of $3.1 million and $3.2 million respectively.

The Town's unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors, was in a deficit of approximately $107.9 million. This is primarily due to the Town's reported net other postemployment benefit liability of $92.4 million and net pension liability of 34.3 million.

Governmental activities increased the Town's net position by approximately $156,000 for fiscal year 2017, including an increase in the net other postemployment liability of $10.7 million. A summary of revenues and major functional expenditures is presented below.

Additional key elements of the current year activity are as follows:

Revenues:

- Property taxes represent nearly 43.2% of the Town's revenue. Property tax growth represents a combination of an annual increase, allowed in the levy under Proposition 2 ½, new growth and debt exclusions.
- Operating grants and contributions of $25.1 million represented approximately 30.9% of the Town's revenue. The largest proportion of this revenue, nearly $16.0 million represents aid from the Commonwealth of Massachusetts, and various state and federal grants, $5.0 million associated with the Commonwealth's contributions on behalf of the Town to the Massachusetts Teachers Retirement System and $1.0 million paid by the Commonwealth for the Retired Municipal Teachers (RMT) health insurance program.
- Charges for services of $14.3 million, represent nearly 17.8% of the Town's revenue. This includes water and sewer charges at nearly $9.6 million, trash fees at $1.4 million, and ambulance receipts of $1.5 million.

Expenses

- Total expenses increased approximately $3.7 million, or 4.8% over fiscal year 2016. The Town's most significant increases, approximately $3.2 million were related to increases in pension and other postemployment benefits costs.

	FY2017 Governmental Activities	FY2016 Governmental Activities
Revenues:		
Charges for services	$ 14,462,615	$ 13,232,261
Operating grants and contributions	25,062,111	22,089,866
Capital grants and contributions	399,516	2,315,439
General revenues:		
Property taxes	35,005,089	33,489,446
Excise taxes	3,434,370	3,205,012
Penalties and interest	312,376	312,852
Grants and contributions not restricted	1,580,107	832,496
Investment income	188,890	132,524
Departmental and other	611,548	409,685
Total revenues	81,056,622	76,019,581
Expenses:		
General government	3,042,449	2,655,795
Public safety	8,434,332	8,067,666
Education	31,792,292	32,624,071
Public works	9,547,860	8,962,250
Human services	2,247,388	2,129,468
Culture and recreation	1,362,130	1,147,974
Employee benefits and other insurance	22,719,624	19,561,642
Interest and other charges	1,519,870	1,753,507
State and county charges	235,145	247,623
Total expenses	80,901,090	77,149,996
Change in net position	$ 155,532	$ (1,130,415)

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.

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. Fund balance for governmental funds is reported in a classification hierarchy which is based upon the extent to which the government is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. These classifications are non-spendable, restricted, committed, assigned and unassigned fund balance.

In particular, *unassigned fund balance* represents the residual fund balance which has not been restricted, committed, or assigned to a purpose within that fund. The general fund is the only fund which should report a positive unassigned fund balance amount. Any negative unassigned fund balance represents expenditures incurred for specific purposes which exceeded the amounts restricted, committed, or assigned for that purpose.

As of the end of the current fiscal year, combined governmental funds reported an aggregate balance of $16.5 million, an increase of approximately $614,000 from the previous year The governmental funds' combined ending fund balances were reported in the following classifications: restricted fund balance of $8.7 million, committed fund balance was $5.0 million; assigned fund balance was $510,000 and unassigned fund balance of $2.3 million.

The general fund is the chief operating fund. At the end of the current fiscal year, the Town reported aggregate fund balance of $9.8 million, an increase of approximately $1.7 million from the previous year. Of this amount $905,000 or 9.3% represents restricted fund balance. Committed fund balance of $3.7 million and assigned fund balance of $510,000 represent 37.7% and 5.2% of total general fund balance respectively. Unassigned fund balance of $4.7 million represents 47.8% of total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 7.0% of total general fund revenues and expenditures. This is compared to 8.0% of both revenues and expenditures in the prior year.

General Fund Budgetary Highlights

The Town adopts an annual expenditure budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget. The difference between the original budget of $58.8 million and the amended final budget of $58.2 is due to primarily to encumbrances from the prior fiscal year included in the original budget, additional special town meeting appropriations and the encumbrances at the end of the year are not included in the final budget.

Water Fund Budgetary Highlights

The Town adopts an annual expenditure budget for its water fund. A budgetary comparison statement has been provided for the water fund to demonstrate compliance with the budget. The difference between the original budget of $3.4 million and the final budget of $3.1 million is due encumbrances and carryover articles from the prior fiscal year included in the original budget and the encumbrances and carryover articles at the end of the year are not included in the final budget.

Sewer Fund Budgetary Highlights

The Town adopts an annual expenditure budget for its sewer fund. A budgetary comparison statement has been provided for the water fund to demonstrate compliance with the budget. The difference between the original budget of $3.1 million and the final budget of $2.6 million is due to encumbrances and carryover articles from the prior fiscal year included in the original budget and the encumbrances and carryover articles at the end of the year are not included in the final budget.

Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for governmental activities as of June 30, 2017 amounts to $125.2 million, which is net of accumulated depreciation of $70.1. The investment in capital assets includes land; buildings; improvements; machinery and equipment. It also includes infrastructure (including water and sewer) placed in service since July 1, 2003.

The table below represents a summary of the Town's capital assets, net of accumulated depreciation by category (in millions). Certain amounts have been reclassified to current year format.

	Governmental Activities	
Capital asset type	**2017**	**2016**
Land and improvements	$ 5.7	$ 5.7
Land-conservation restriction	0.5	0.5
Buildings and related improvements	85.4	85.9
Joint Water Works	5.3	5.4
Equipment, machinery, other	3.3	3.4
Infrastructure (including water & sewer)	26.7	26.2
Construction in progress	1.1	0.1
Total	$ 128.0	$ 127.2

Capital asset activity for the fiscal year consisted primarily of aggregate $1.0 million construction in progress related to water main projects, $1.7 million of road infrastructure additions, buildings and improvements of $203,000 and equipment, machinery and other of $744,000.

Debt obligations - At the end of the current fiscal year, the Town had total bonded debt outstanding of $43.5 million. This is compared to $46.1 million last year. All debt is a general obligation of the Town.

The Town maintains an AA- bond rating with Standard & Poor's, as of June 2015.

Economic Factors and Next Year's Budgets and Rates

- The Town's fiscal year 2018 operating budget (inclusive of water and sewer) approved at May 2017 Annual Town Meeting was approximately $60.9 million, compared to $58.7 million the prior year. This is an increase of approximately 3.7%.
- The total real estate and personal property tax levy approved to be raised for fiscal year 2018 was $36.1 million, compared to $35.0 million the prior year.
- The Town adopted the Community Preservation Act (CPA), which allows for the establishment of a Community Preservation Fund which allows accumulated funds to be appropriated for open space/recreation, historic resources and community housing. Funding sources for the fund are provided by the Town's adoption of a 1.5% surcharge on property tax bills and an annual disbursement from the Commonwealth of Massachusetts' Community Preservation Trust Fund.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Rockland, Attn: Town Administrator, Town Hall, 242 Union St., Rockland, MA 02370.

BASIC FINANCIAL STATEMENTS

TOWN OF ROCKLAND, MASSACHUSETTS
Statement of Net Position
June 30, 2017

	Primary Government Governmental Activities
ASSETS	
Cash, cash equivalents and investments	$ 22,196,831
Receivables, net of allowances	7,224,854
Noncurrent assets:	
Capital assets, net accumulated depreciation	128,022,215
Total assets	157,443,900
DEFERRED OUTFLOWS OF RESOURCES	
Associated with other postemployment benefits plan	6,085,504
Associated with pension plan	4,210,738
Total deferred outflows of resources	10,296,242
Total assets and deferred outflows of resources	$ 167,740,142
LIABILITIES	
Accounts payable	$ 2,080,986
Salaries and withholdings payable	630,431
Provision for refund of paid taxes	58,000
Notes payable	3,800,000
Accrued interest payable	301,000
Long-term liabilities:	
Due within one year	2,571,974
Due in more than one year	172,504,240
Total liabilities	181,946,631
DEFERRED INFLOWS OF RESOURCES	
Unamortized bond premiums	905,345
Associated with other postemployment benefits plan	727
Associated with pension plan	1,759,057
Total deferred inflow of resources	2,665,129
NET POSITION	
Net investment in capital assets	80,775,962
Restricted	10,965,339
Unrestricted	(108,612,919)
Total net position	(16,871,618)
Total liabilities, deferred inflows of resources and net position	$ 167,740,142

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

TOWN OF ROCKLAND, MASSACHUSETTS
Statement of Activities
For the Year Ended June 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Primary Government Governmental Activities**
Primary government					
Governmental activities:					
General government	$ 3,042,449	$ 287,277	$ 967,932	$	$ (1,787,240)
Public safety	8,434,332	1,819,193	584,115		(6,031,024)
Education	31,792,292	2,573,732	16,444,600		(12,773,960)
Public works	9,547,860	7,852,156		399,516	(1,296,188)
Human services	2,247,388	1,630,330	280,401		(336,657)
Culture and recreation	1,362,130	299,927	43,319		(1,018,884)
Employee benefits and other insurance	22,719,624		5,137,999		(17,581,625)
Interest and other charges	1,519,870		1,407,050		(112,820)
State and county charges	235,145		196,695		(38,450)
Total governmental activities	$ 80,901,090	$ 14,462,615	$ 25,062,111	$ 399,516	(40,976,848)
General revenues:					
Property taxes, net of allowances for uncollectibles					35,005,089
Excise taxes, net of allowances for uncollectibles					3,434,370
Penalties and interest					312,376
Grants and contributions not restricted to specific programs					1,580,107
Investment income					188,890
Departmental and other					611,548
Total general revenues					41,132,380
Change in net position					155,532
Net position - beginning, restated					(17,027,150)
Net position - ending					$ (16,871,618)

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

TOWN OF ROCKLAND, MASSACHUSETTS
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Water Fund	Sewer Fund	School Building Project	Road Improvement Projects	Water Mains	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash, cash equivalents and investments	$ 12,124,877	$ 1,275,474	$ 2,339,806	$ 900,130	$ 788,398	$ 773,794	$ 3,994,352	$ 22,196,831
Receivables	4,426,050	1,390,698	392,551				518,555	6,727,854
Interfund receivables	138,308							138,308
Total assets	$ 16,689,235	$ 2,666,172	$ 2,732,357	$ 900,130	$ 788,398	$ 773,794	$ 4,512,907	$ 29,062,993
LIABILITIES								
Accounts payable and other current liabilities	$ 2,049,914	$	$	$	$	$	$ 31,072	$ 2,080,986
Salaries, withholdings and benefits payable	630,431							630,431
Provision for refund of paid taxes	58,000							58,000
Notes payable					1,800,000	2,000,000		3,800,000
Interfund payables							138,308	138,308
Total liabilities	2,738,345				1,800,000	2,000,000	169,380	6,707,725
DEFERRED INFLOWS OF RESOURCES								
Deferred revenue	4,175,374	875,270	392,551				394,245	5,837,440
Total deferred inflows of resources	4,175,374	875,270	392,551				394,245	5,837,440
FUND BALANCES								
Restricted	905,345	1,790,902	2,339,806				3,630,748	8,666,801
Committed	3,685,854			900,130			456,846	5,042,830
Assigned	510,293							510,293
Unassigned	4,674,024				(1,011,602)	(1,226,206)	(138,312)	2,297,904
Total fund balances	9,775,516	1,790,902	2,339,806	900,130	(1,011,602)	(1,226,206)	3,949,282	16,517,828
Total liabilities, deferred inflows and fund balances	$ 16,689,235	$ 2,666,172	$ 2,732,357	$ 900,130	$ 788,398	$ 773,794	$ 4,512,907	$ 29,062,993

Net position for governmental activities reported in the statement of net position is different because:

Total fund balances of governmental funds	$ 16,517,828
Capital assets used in governmental activities are not financial resources and are not reported in funds. The cost of the assets is $198,145,603 net of accumulated depreciation of $70,123,388.	128,022,215
Certain deferred outflows of resources are not recorded on fund basis statements.	10,296,242
Certain deferred inflows of resources are not recorded on fund basis statements.	(1,759,784)
Long-term liabilities are not recorded on fund basis statements.	(175,076,214)
Unamortized bond premiums are reported as deferred inflows of resources on accrual basis.	(905,345)
Certain accrual of revenues, net of allowances for uncollectible amounts.	6,334,440
Reporting of liabilities on full accrual basis requires accrual of interest on debt.	(301,000)
Net position of governmental activities	$ (16,871,618)

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

TOWN OF ROCKLAND, MASSACHUSETTS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Water Fund	Sewer Fund	School Building Project	Road Improvement Projects	Water Mains	Other Governmental Funds	Total Governmental Funds
Revenues:								
Property taxes	$ 34,747,294	$	$	$	$	$	$	$ 34,747,294
Excise taxes	3,249,981							3,249,981
Penalties and interest	312,376	19,996	22,211					354,583
Interest income	173,994						14,896	188,890
Departmental fees, fines and other	3,084,452	4,843,872	2,458,626				4,063,579	14,450,529
Intergovernmental	19,486,759						5,034,743	24,521,502
Total revenues	61,054,856	4,863,868	2,480,837				9,113,218	77,512,779
Expenditures:								
General government	2,359,858						811,167	3,171,025
Public safety	7,263,336						861,116	8,124,452
Education	25,494,001						4,840,582	30,334,583
Public works	1,941,943	3,985,076	2,339,097		1,283,391	1,013,735	504,126	11,067,368
Human services	2,050,357						81,876	2,132,233
Culture and recreation	913,340						470,882	1,384,222
Employee benefits and other insurance	13,808,476							13,808,476
State and county assessments	2,653,306							2,653,306
Debt service	3,673,481	464,814	84,955					4,223,250
Total expenditures	60,158,098	4,449,890	2,424,052		1,283,391	1,013,735	7,569,749	76,898,915
Revenues over (under) expenditures	896,758	413,978	56,785		(1,283,391)	(1,013,735)	1,543,469	613,864
Other financing sources (uses):								
Transfers in	800,089						33,994	834,083
Transfers (out)	(33,994)						(800,089)	(834,083)
Total other financing sources (uses)	766,095						(766,095)	
Net change in fund balance	1,662,853	413,978	56,785		(1,283,391)	(1,013,735)	777,374	613,864
Fund balances - beginning	8,112,663	1,376,924	2,283,021	900,130	271,789	(212,471)	3,171,908	15,903,964
Fund balances - ending	$ 9,775,516	$ 1,790,902	$ 2,339,806	$ 900,130	$ (1,011,602)	$ (1,226,206)	$ 3,949,282	$ 16,517,828

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

TOWN OF ROCKLAND, MASSACHUSETTS

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities

For the Year Ended June 30, 2017

Revenues and other financing sources (under) expenditures and other financing uses - governmental funds	$	613,864
Governmental funds report outlays for capital assets as expenditures, however the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.		
Capital outlays during the fiscal year		3,764,380
Depreciation recorded for the fiscal year		(2,919,457)
Certain deferred outflows/inflows of resources are recognized on the government-wide financial statements, to be amortized over future periods, and accordingly are not recognized in the fund basis financial statements.		
Net change in aggregate deferred outflows associated with other postemployment benefits		6,085,504
Net change in aggregate deferred outflows associated with pension plans		69,492
Net change in aggregate deferred inflows associated with other postemployment benefits		(727)
Net change in aggregate deferred inflows associated with pension plan		(1,506,745)
Net change in unamortized bond premiums		103,406
Net change in deferred revenue		1,078,374
Revenues are recognized on the modified accrual basis of accounting in the fund financial statements, but are recognized on the accrual basis of accounting in the government-wide financial statements.		
Net change in unbilled receivables		31,000
Net change in allowance for uncollectible/doubtful accounts		(170,000)
The issuance and repayment of long term debt are recorded as other financing sources or uses in the fund financial statements, but have no effect on net position in the government-wide financial statements. Also, governmental funds report issuance costs, premiums, discounts and similar expenditures when paid, whereas these amounts are deferred and amortized on a government-wide basis.		
Principal payments on long term debt		2,586,816
The fund financial statements record interest on long term debt when due and revenue from related subsidies when received. The government-wide financial statements report interest on long term debt and revenue on subsidies when incurred.		
Change in accrued interest expense		21,408
Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements; however, these liabilities are reported in the government-wide financial statements. The change in these liabilities is reflected as an expense in the Statement of Activities.		
Other postemployment obligations (OPEB)		(10,640,898)
Net pension liability		827,261
Estimated postclosure landfill monitoring costs		41,000
Capital leases obligations		39,854
Estimated compensated absences		131,000
Change in net position of governmental activities	$	155,532

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

TOWN OF ROCKLAND, MASSACHUSETTS
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2017

	Private Purpose Trust Funds	Other Postemployment Benefits Trust fund	Agency Accounts
ASSETS			
Cash, cash equivalents and investments	$ 835,866	$ 264,538	$ 104,294
Total assets	$ 835,866	$ 264,538	$ 104,294
LIABILITIES			
Accounts payable	$	$	$ 5,051
Amounts due to students and others			99,243
Total liabilities			$ 104,294
NET POSITION			
Amounts held in trust for scholarships	835,866		
Amounts held in trust for other postemployment benefits		264,538	
Total liabilities and net position	$ 835,866	$ 264,538	

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

TOWN OF ROCKLAND, MASSACHUSETTS
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2017

	Private Purpose Trust Funds	Other Postemployment Benefits Trust fund
Additions		
Contributions	$ 33,969	$ 1,263,964
Interest and dividends	51,408	7,627
Total additions	85,377	1,271,591
Deductions		
Scholarships and awards	89,650	
Benefits		1,139,961
Total deductions	89,650	1,139,961
Transfers		
Transfers in		
Change in net position	(4,273)	131,630
Net position - beginning	840,139	132,908
Net position - ending	$ 835,866	$ 264,538

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Reporting Entity

A. Organization

The Town of Rockland, Massachusetts (Town), was incorporated in 1874. The Town operates under a Town Meeting form of government and a five-member Board of Selectmen. The Town's major operations include education, police and fire protection, parks, library and recreation, public works and general administrative services. In addition, the Town owns and operates water and sewer systems. See also joint ventures.

B. Reporting Entity

General

The accompanying financial statements present the Town of Rockland (the primary government) and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Town are significant. Pursuant to these criteria, the Town of Rockland did not identify any component units requiring inclusion in the accompanying financial statements.

Joint Ventures

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town's significant joint ventures, their purpose, and the annual assessments or fees paid for services rendered during fiscal year 2017. Financial statements may be obtained from each the joint ventures by contacting each of them directly, except for the Abington/Rockland Joint Water works. The transactions of the joint water works are included in these financial statements as part of the water fund.

Joint venture	Purpose	FY 2017 amounts paid
Abington/Rockland Joint Water Works	To provide water distribution system	$ 1,726,731
South Shore Regional School District	To provide vocational educational services	1,686,690
South Shore Educational Collaborative	To provide special education related services	637,328
North River Collaborative	To provide special education related services	352,797
READS Collaborative	To provide special education services	146,108
Massachusetts Bay Transit Authority	To provide regional transportation	71,279
Charms Collaborative	To provide special education services	26,283
Brockton Area Transit Authority	To provide regional transportation services	45,018
Old Colony Library Network	To provide enhanced services to members	21,655
Southfield Redevelopment Authority.	To develop land with towns of Abington & Weymouth	8,250

Legislation approved on August 20, 2014, Chapter 291 of the Acts of 2014, reconstituted the South Shore Tri-Town Development Corporation as the Southfield Redevelopment Authority (the Authority). Pursuant to this Act, the participating towns of Rockland, Weymouth and Abington became responsible for providing services and the corresponding assessing and collection of property taxes for land and development within each town's borders within the former Naval Air Station (NAS) South Weymouth. Each town collects a property tax rate equal to the base rate plus the Southfield rate. Within thirty days after each fiscal quarter the towns are required to remit to the Authority the Southfield rate portion of the revenue collected by the town in the preceding quarter. At the May 2016 Annual Town Meeting, the Town of Rockland voted a zoning amendment, pursuant to an agreement with Town and the Southfield Redevelopment Authority's master developer LStar Southfield, LLC for commercial development and certain open space restrictions. For fiscal year 2017, the Town paid $8,250, to the Authority for bond infrastructure plan.

The Town has an agreement with the developer in which payments are made to the Town based upon land conveyances of land by LNR. These payments are to be used for capital expenditures, and/or recreational facilities. Amounts are maintained in a special revenue fund from which appropriations are made.

The Abington/Rockland Joint Water Works, established pursuant to Chapter 139 of the Acts of 1886 and amendments thereafter, for the Towns of Abington and Rockland to jointly supply water to the member towns. The joint water board is comprised of members of the water commissioners of each town. Costs associated with joint water expenses are billed to the Town of Abington on a monthly basis. Major capital outlays acquired through debt issuance are equally shared between the towns. Additional information surrounding the Joint Water works can be obtained by contacting the Town.

The South Shore Regional School District (District) was established by an agreement between the member towns of Abington, Cohasset, Hanover, Norwell, Rockland, Scituate and Whitman, pursuant to MGL Chapter 71 to provide vocational technical education for student's grades 9-12. The District is governed by a Regional School Committee, elected from each town at respective town elections. Annually the District School committee apportions operating and capital costs to the member towns pursuant to MGL and the agreement. The annual assessment must be accepted by each Town's electorate.

Educational collaboratives are public entities formed by agreements of member governmental entities pursuant to the provisions of Massachusetts General Law Chapter 40, Section 4E. The Town pays these collaborative for educational programs and services on an as needed basis for students.

Related Organizations

Board members for the Rockland Housing Authority are elected by Town voters; thus, the Town has no accountability for this organization.

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town is discussed below.

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major and other funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's police and fire protection, parks, library and recreation, public works, schools, water, sewer and general administrative services are classified as governmental activities. The Town does not have any activities classified as business-type activities.

Government-wide Statements

In the government-wide Statement of Net Position, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables and deferred outflows of resources, as well as long-term liabilities, deferred inflows of resources and other liabilities reported on a full accrual basis. The Town's net position is reported in three parts—net investment in capital assets, restricted, and unrestricted. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. Gross expenses (including depreciation) are reduced on the Statement of Activities by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs are normally covered by general revenue.

Certain costs, such as pension benefits, property, liability and health insurance, among others are not allocated among the Town's functions and are included in employee benefits and other expenses in the Statement of Activities, except for those costs associated with the water and sewer activities which have been directly charged to the public works function.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in the Town's fund financial statements is on the major funds in the governmental functional categories. Government Accounting Standards Board pronouncements set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements titled Other Governmental Funds.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose, other and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The following fund types may be used by the Town (the Town does not use proprietary funds):

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds available to the Town:

Major Funds

- General fund is the general operating fund of the Town. It should be used to account for all financial resources not accounted for and reported in another fund.

- Water fund is a special revenue fund used to account for the activities related to the operations of the Town's water system inclusive of all employee benefits related thereto. Revenues consist primarily of user charges and other departmental fees. This fund also accounts for joint water works activity.

- Sewer fund is a special revenue fund used to account for the activities related to the operations of the Town's sewer system, inclusive of all employee benefits related thereto. Revenues consist primarily of user charges and other departmental fees.

- School building project is a capital project fund used to account for financial resources to be used to fund the renovation of the Town's high school and the construction of a new middle school. Revenues consist primarily of grant reimbursement for eligible costs. Other resources consist of debt proceeds when issued.

- Road improvement projects is a capital project fund used to account for financial resources to be used to fund constructions and repairs to the roads and related infrastructure of the Town. Resources consist primarily of debt proceeds when issued.

- Water mains is a capital project fund used to account for financial resources to be used to fund constructions and repairs to the water infrastructure of the Town. Resources consist primarily of debt proceeds when issued.

Other governmental funds consist of other special revenue and capital projects funds that are aggregated and presented in the other governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:

- Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

- Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Currently, the Town does not utilize a debt service fund.

- Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. It excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The Town accounts for certain capital asset acquisitions (capital outlay) through the general fund's budgetary process, as well as through certain special revenue funds. Currently, the Town has determined that capital project funds are to account for and report capital assets to be financed through the issuance of long term debt. Resources committed to capital outlay or acquisitions have been identified by function in fund balance equity detailed in these Notes.

- Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs. The Town currently has not classified any funds as permanent funds.

Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the Town:

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations (including scholarships and awards) other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.

- Other Post-Employment Benefit trust fund accounts for resources legally held in trust for the providing health insurance benefits to retired employees of the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements. This fund was established pursuant to Town Meeting vote in accordance with provisions of MGL Chapter 32B, section 20 which allows for establishment of a trust fund for other post-employment benefits. Currently, the Town transfers the amount appropriated on an annual basis and pays the Town's share of monthly premiums related to retirees directly from the fund.

- Agency funds are used to hold funds on behalf of parties other than the Town. These funds consist of amounts associated with the public school students' activities funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

B. Measurement Focus and Basis of Accounting

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 recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of account, revenues are recognized when susceptible to accrual (i.e., measurement and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and property tax revenues are considered available if they are collected within 60 days after fiscal year end. Investment income is susceptible to accrual. Other receipts and tax revenues generally become measurable and available when the cash is received and are recognized as revenue at that time.

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.

C. Fair Value Measurement

The Town measures assets and liabilities at fair value according to the hierarchy established by generally accepted accounting principles. 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. The following are levels considered:

- 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.

D. Cash, Cash Equivalents and Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form consolidated cash. For the purpose of the financial statements cash and cash equivalents include all demand and savings accounts. The Town maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is reflected on the financial statements as "cash and cash equivalents". Massachusetts General Laws and local provisions place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. For the purpose of the financial statements cash and cash equivalents include all demand, certificates of deposit and savings accounts.

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 be sold to generate cash. Generally, investments are reported according to the fair value hierarchy established by generally accepted accounting principles. 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 cash and investment note disclosures are presented in these Notes.

E. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

F. Receivables

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The Town classifies outstanding personal property taxes and motor vehicle excise three years or more as uncollectible for financial reporting purposes. The Town estimates uncollectible ambulance charges based upon available trend data. Outstanding real estate taxes, water and sewer charges are secured by tax liens, and therefore considered to be fully collectible.

G. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets, including intangible assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their acquisition value (entry price) at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002. The Town generally utilizes a $5,000 per unit or project capitalization threshold.

Prior to July 1, 2002, governmental funds’ infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the asset's estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

➢ Buildings	25-50 years
➢ Improvements	10-50 years
➢ Machinery and Equipment	3-20 years
➢ Utility System	25-50 years
➢ Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

H. Deferred Outflows and Deferred Inflows

Deferred outflows of resources, as applicable, represent a consumption of assets by the government that is applicable to a future reporting period. These *deferred outflows of resources* have a positive effect on net position and are reported after assets when applicable. Deferred inflows of resources, as applicable, represent the acquisition of assets by the government that is applicable to a future reporting period. These *deferred inflows of resources* have a negative effect on net position and are reported after liabilities when applicable. These amounts are reported in government-wide and fund financial statements based upon the nature of the items.

I. Liabilities

Liabilities represent *present obligations* to sacrifice resources for which the government has *little or no discretion to avoid.* The primary focus is on the obligation for the government to perform. The accounting treatment for these obligations depends on whether they are reported in the government-wide or fund financial statements.

Current liabilities are reported in both the fund and government-wide financial statements. Current liabilities represent obligations incurred in the operating cycle for acquisition goods, services, accruals for salaries/wages, vacation accruals, and other obligations due or generally expected to be liquidated within one year from the balance sheet date. Government-wide financial statements also report other current liabilities such as accrued interest, which is reported on a full accrual basis.

Generally, all noncurrent (long term) liabilities are not reported as liabilities in the fund financial statements, but are reported in the government-wide statements. Such obligations consist primarily of such obligations as bonds payable, capital leases, compensated absences, estimated landfill postclosure monitoring, other postemployment obligations and net pension liabilities.

J. Compensated Absences

The Town's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The Town records a liability estimated buy back for accumulated sick time as long-term obligations in the government-wide statements. In the fund financial statements, governmental funds report only the estimated vacation liability expected to be payable from expendable available financial resources.

K. Equity Classifications

Government-wide Statements

Equity is classified as net position in the government-wide financial statements. The Town utilizes resources which have been restricted prior to utilizing unrestricted resources. Net position is displayed in the following three components:

- Net investment in capital assets— This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

- Restricted — This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These assets may be restricted by constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

- Unrestricted—This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The Town does not maintain any minimum fund balance policies. The Town's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds were designated for one purpose at the time of their creation. Therefore, any expenditure made from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose. Fund balance can be classified in the following components:

- Non-spendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of Town Meeting, the Town's highest level of decision making. Any modification or rescission must be through Town Meeting vote.

- Assigned fund balance – consist of amounts that are constrained by the Town's intent to be used for a specific purpose. Intent is expressed by either the governing body, or the officials directly responsible for departmental appropriations. Amounts may also be assigned by Town Meeting.

- Unassigned fund balance – represents the residual classification for remaining fund balance. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

M. Total Columns

The total column presented on the government-wide financial statements represents consolidated financial information.

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

Note 3. Stewardship, Compliance and Accountability

A. Property tax calendar and limitations

Real and personal property taxes are based on values assessed as of each January 1 and are normally due on a quarterly basis during the year. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to lien, interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy.

A statewide property tax limitation statute known as “Proposition 2 ½ “limits the property tax levy to an amount equal to 2 ½ % of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year’s allowable tax levy by more than 2 ½ %, plus taxes levied on certain property newly added to the tax rolls (“new growth”). Certain Proposition 2 ½ taxing limitations can be overridden by a town-wide referendum vote.

B. Budgetary Basis of Accounting

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year’s deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town are prepared under the direction of the Board of Selectmen. The School department budget is prepared under the direction of the School Committee. Water and sewer departmental budgets are prepared under the direction of the respective board of commissioners. All original and supplemental appropriations must be acted upon by vote of Town Meeting. All general fund functions are budgeted; the town does not have legally adopted annual budgets for its special revenue funds, except for water and sewer. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies. Budgetary information has been presented as required supplementary information to these financial statements.

C. Fund Equities

Operations of the various Town funds for the fiscal year were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either non-spendable, restricted, committed, or assigned for specific purposes. The residual is reported as unassigned fund balance. As of June 30, 2017, the classification of the Town’s fund balances can be detailed as follows:

The Town reported a deficit in the general fund for snow and ice appropriations in the amount of $189,000 for fiscal year 2017. The Town maintains a stabilization fund, which maintains funds set aside by Town Meeting vote for further appropriation or in accordance with MGL for the Board of Selectmen to perform interfund borrowings during the year. Since this fund is not supported by specific revenue sources, it is included with the general fund. At June 30, 2017, the stabilization fund maintained a balance of $933,144. Both of these amounts have been included with the unassigned fund balance reported in the General Fund.

	General Fund	Water Fund	Sewer Fund	School Building Project	Road Construction Projects	Water Mains	Other Governmental Funds	Totals
Restricted								
General Government	$	$	$	$	$	$	$ 263,555	$ 263,555
Public Safety							131,516	131,516
Education							2,674,903	2,674,903
Public Works		1,790,902	2,339,806				148,743	4,279,451
Human Services							87,104	87,104
Culture & Recreation							324,928	324,928
Debt service	905,345							905,345
subtotal	905,345	1,790,902	2,339,806				3,630,749	8,666,802
Committed								
General Government	460,889						165,657	626,546
Public Safety	769,088						118,238	887,326
Education	1,136,908							1,136,908
Public Works	317,711						10,520	328,231
Human Services	72,039							72,039
Culture & Recreation	154,219						90,028	244,247
Employee benefits	100,000							100,000
Other	675,000							675,000
Capital outlay				900,130			72,403	972,533
subtotal	3,685,854			900,130			456,846	5,042,830
Assigned								
General Government	116,542							116,542
Public Safety	138,156							138,156
Education	217,963							217,963
Public Works	6,521							6,521
Culture & Recreation	31,111							31,111
subtotal	510,293							510,293
Unassigned	4,674,024				(1,011,602)	(1,226,206)	(138,312)	2,297,904
Total	$ 9,775,516	$1,790,902	$2,339,806	$ 900,130	$(1,011,602)	$(1,226,206)	$ 3,949,283	$ 16,517,829

Other governmental funds' deficit unassigned fund balance is detailed as follows:

Special revenue funds:		
Public works	$	(51,188)
Public safety		(26,138)
General government		(15,000)
Human services		(590)
Education		(449)
subtotal		(93,365)
Water capital projects		(44,947)
Total	$	(138,312)

D. Restricted Net Position

Restricted net position reported on the government-wide statement consists of the following:

Water fund	$	3,146,172
Sewer fund		3,223,357
Capital projects/outlay		900,130
Revolving funds		2,312,138
Grants		588,053
Gifts and donations		301,157
Library		125,599
Other special revenue funds and other		368,733
Total restricted net position	$	10,965,339

Note 4. Cash, Cash Equivalents and Investments

Massachusetts General Laws (MGL), Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the Town. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The Town may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof, and having a maturity from date of purchase of one year or less. The Town may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The Town may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. OPEB funds are invested in accordance with MGL Chapter 303C. Cash and investments have been combined for financial reporting purposes. At June 30, 2017, the Town's carrying amount of cash deposits and investments totaled $23.4 million.

The Town maintains deposits in authorized financial institutions. In the case of cash deposits, custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. At June 30, 2017 cash deposits totaled and had a carrying amount of $16.7 million. Investments were $6.7 million. At June 30, 2017, cash balances of $694,000 were covered by depository insurance, $15.8 million was covered by third party collateralization agreements and overnight sweep/repurchase agreements, and $174,000 was uninsured.

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

Type of Investment	Amount	Measurement	Moody's Average credit Quality/Ratings	Maturities None	Less 1 year	1-5 years	6-10 years	Total
Primary Government								
Certificates of deposit	$ 5,783,671	Level 1	not applicable	$ -	$	$ 5,783,671	$	$ 5,783,671
Domestic stock	525,834	Level 1	not applicable	525,834				525,834
US government & agencies	357,111	Level 1	AAA		71,354	204,856	80,901	357,111
Fixed income mutual funds	24,557	Level 2	not applicable	24,557				24,557
Money funds	18,369	amortized cost	unrated	18,369				18,369
Total investments	$ 6,709,542			$ 568,760	$ 71,354	$ 5,988,527	$ 80,901	$ 6,709,542

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's policy provides general guidelines for addressing custodial credit risks. The Town considers its certificates of deposits as temporary investments. These are fully insured.

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Town's policy provides general guidelines for addressing interest rate risks. The approximate maturities of the Town's investments are disclosed in the above table.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies that have the explicit guarantee of the US government are not considered to have credit risk and therefore have been listed as exempt from disclosure in the above table. Investments in external investment pools are also exempt from disclosure. Equity securities and equity mutual funds are not rated as to credit risk. The Town's investment policy addresses credit risk. The Town has not determined the rating for its money funds.

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Town policy does not address this risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town's policy sets guidelines for this risk. With the exception of the certificates of deposits the Town did not maintain any single investment which exceeded 5% of the total investments.

Note 5. Receivables

The Town reports the aggregate amount of receivables in the accompanying Statement of Net Position and Balance Sheet. The Town includes the following receivables for individual major and other governmental funds in the aggregate, including applicable allowances for uncollectible amounts.

Receivable type	Gross Amount	Allowance for Uncollectibles	Net Amount
Property taxes and penalties	$ 992,697	$ (21,000)	$ 971,697
Tax liens, deferrals, foreclosures	1,670,372		1,670,372
Motor vehicle excise	748,453	(198,000)	550,453
Trash fees, liens, related	425,058		425,058
Ambulance charges	589,470	(255,000)	334,470
Water charges and related	1,390,698		1,390,698
Sewer charges and related	392,551		392,551
Commonwealth of Massachusetts	518,555	.	518,555
Total governmental funds	6,727,854	(474,000)	6,253,854
Unbilled water and sewer charges	971,000	.	971,000
Total governmental activities	$ 7,698,854	$ (474,000)	$ 7,224,854

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows. Certain prior year balances have been restated to correspond with current year presentation:

Governmental activities	Beginning Balances	Increases	(Decreases)	Ending Balances
Capital assets not being depreciated:				
Land	$ 5,682,051	$	$	$ 5,682,051
Land -conservation restriction	499,000			499,000
Construction in progress	105,317	1,018,181	(29,429)	1,094,069
Subtotal	6,286,368	1,018,181	(29,429)	7,275,120
Capital assets being depreciated:				
Buildings and improvements	110,146,219	202,969		110,349,188
Infrastructure	54,116,703	1,669,693	(17,231)	55,769,165
Equipment, machinery & other	15,696,085	776,885	(20,231)	16,452,739
Land improvements	11,505	5,800	(5,431)	11,874
50% Joint water works	8,167,236	120,281	-	8,287,517
Subtotal	188,137,748	2,775,628	(42,893)	190,870,483
Less accumulated depreciation:				
Land improvements	575	1,223		1,798
Buildings and improvements	24,212,258	766,886		24,979,144
Equipment, machinery & other	12,292,081	866,773	(20,231)	13,138,623
Infrastructure	27,939,896	1,093,982	(17,231)	29,016,647
50% Joint water works	2,802,014	190,593	(5,431)	2,987,176
Subtotal	67,246,824	2,919,457	(42,893)	70,123,388
Governmental capital assets, net	$ 127,177,292	$ 874,352	$ (29,429)	$ 128,022,215

The Town has determined the conservation restriction related to the Rockland Golf Course to be an intangible asset with an indefinite useful life.

Certain reductions to reported prior year accumulated depreciation related to the Town's school buildings' balances have been reflected in the current year depreciation expense. Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government	$	51,440
Public safety		557,082
Education		353,715
Public works, including water and sewer		1,833,660
Human services		115,155
Culture and recreation		8,405
Total depreciation expense - governmental activities	$	2,919,457

Note 7. Interfund Balances and Activity

As of June 30, 2017, a total of $138,308 was due to the general fund for short term borrowings of cash.

Interfund transfers, for the year ended June 30, 2017, consisted of the following:

Purpose/description		General Fund		Other Governmental Funds
Appropriations from host community fund	$	788,739	$	(788,739)
Other appropriations to and from other funds, net		(22,644)		22,644
Net transfers	$	766,095	$	(766,095)

Note 8. Deferred Outflows of Resources and Deferred Inflows of Resources

The following is a summary of the Town's deferred outflows of resources and deferred inflows of resources as of June 30, 2017.

		Deferred Outflows of Resources 6/30/17
Governmental activities:		
Associated with other postemployment benefit plan:		
Differences between actual & expected experience	$	6,085,504
Associated with pension plan:		
Differences between actual & expected experience		895,776
Net differences between projected & actual earnings on pension plan investments		3,314,962
Total associated with pension plan		4,210,738
Total governmental activities	$	10,296,242

	Deferred Inflows of Resources 6/30/17
Governmental funds:	
Deferred revenue:	
Property taxes, personal property, penalties	$ 744,061
Tax liens, deferrals, foreclosures	1,670,371
Motor vehicle excise	746,415
Trash fees	425,057
Ambulance charges	589,470
Water charges and related	875,270
Sewer charges and related	392,551
Intergovernmental - MA highway Chapter 90	394,245
Total governmental funds	$ 5,837,440

	Deferred Inflows of Resources 6/30/17
Governmental activities:	
Unamortized bond premiums	$ 905,345
Associated with other postemployment benefit plan:	
Net difference between projected and actual pension earnings	727
Associated with pension plan:	
Changes in assumptions	978,646
Changes in proportion and differences between employer contributions and proportionate share of contributions	780,411
Total associated with pension plan	1,759,057
Total governmental activities	$ 2,665,129

Note 9. Temporary Borrowings

Under state law and by authorization of the Board of Selectmen and Town Meeting, the Town is authorized to issue general obligation indebtedness for purposes and terms permitted by Massachusetts statute. Generally, when debt has been authorized, the Town may issue temporary (short-term) debt in anticipation of revenues, grants or issuance of serial bonds or serial notes (long term debt). Temporary debt obligations include the following:

- Current operating costs prior to the collection of revenues through issuance of tax or revenue anticipation notes (TANs and RANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FAANs and SAANs)

Temporary loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures and issuance costs for temporary borrowings are accounted for in the appropriate fund.

The Town had the following table indicates certain of the Town's temporary debt activity during fiscal year 2017.

Purpose	Balance July 1, 2016	Additions	(Reductions)	Balance June 30, 2017
State aid note, .80%, dtd 6/30/2016, due 9/30/2016	$ 387,392	$	$ (387,392)	$
Bond anticipation note, .80%, water mains, dtd 6/30/2016, due 12/1/2016	200,000		(200,000)	
State aid note, 1.30%, roads, dtd 6/30/2016, due 7/31/2017		500,000		500,000
Bond anticipation note, 1.30%, roads/water mains, dtd 6/30/2017 due 3/30/2018		3,300,000		3,300,000
Total governmental activities	$ 587,392	$ 3,800,000	$ (587,392)	$ 3,800,000

Note 10. Long Term Obligations

The following is a summary of the net changes in long-term obligations for the year ended June 30, 2017:

Purpose	(restated) Balance July 1, 2016	Additions	(Reductions)	Balance June 30, 2017	Current Portion
Multi-purpose bonds, 4.00% -5.25%, dtd 7/1/06, due 7/15/2016	$ 165,000	$	$ (165,000)	$	$ -
MWPAT-subsidized bonds, water treatment facility, dtd 11/16/05, due 7/15/2025	210,553		(19,233)	191,320	19,622
MWPAT-subsidized bonds, stormwater management, dtd 11/23/04, due 8/1/2025	130,000		(10,000)	120,000	15,000
MWPAT-subsidized bonds, water treatment facility, dtd 3/18/09, due 7/15/2029	123,139		(8,378)	114,761	8,547
MWPAT - drinking water bonds, dtd 7/8/10, due 7/15/2030	413,997		(25,495)	388,502	26,010
ARRA-MWPAT- DWS-06-14A dtd 7/8/2010, due 1/15/2030	792,690		(45,771)	746,919	46,695
ARRA-MWPAT- DWS-08-27 dtd 7/8/2010, due 1/15/2030	959,884		(57,133)	902,751	58,287
G.O.B. -water building, 2.0%-4.0% dtd 12/01/2010. due 8/1/2020	475,000		(95,000)	380,000	95,000
G.O.B. -water mains, 2.0%-4.0% dtd 12/01/2010. due 8/1/2020	125,000		(25,000)	100,000	25,000
G.O.B. state qualified bonds, school project, 2.0%-4.0%, dtd 11/15/11, due 12/1/2033	26,640,000		(945,000)	25,695,000	995,000
MWPAT-subsidized bonds, water 2.0%, dtd 5/23/2013, due 1/15/2033	341,210		(16,806)	324,404	17,172
G.O.B. state qualified bonds, various, 2.0%-5.0%, dtd 3/6/2014, due 3/1/2034	10,730,000		(735,000)	9,995,000	735,000
G.O.B. state qualified, various 3.00%-3.25%, dtd 7/15/2015, due 7/1/2035	4,999,000	-	(439,000)	4,560,000	440,000
Total bonds payable	46,105,473		(2,586,816)	43,518,657	2,481,333
Landfill closure monitoring liability	492,000		(41,000)	451,000	41,000
Capital leases	217,985		(39,854)	178,131	49,641
Compensated absences, net	4,312,000		(131,000)	4,181,000	
Net pension liability	35,165,926		(827,261)	34,338,665	
Net OPEB obligation (beg balance restated)	81,767,864	10,640,898	-	92,408,762	-
Total governmental activities	$ 168,061,248	$ 10,640,898	$ (3,625,931)	$ 175,076,215	$ 2,571,974

Massachusetts General State Qualified Municipal Bonds

Pursuant to MGL Chapter 44A, the Municipal Finance Oversight Board of the Commonwealth of Massachusetts determined the Town to be entitled to issue General Obligation State Qualified Municipal Bonds. Under this program, which is unique to the Commonwealth, the State Treasurer pays the related debt service of these bonds directly from the Town's local aid.

Massachusetts Clean Water Trust bonds

The outstanding Massachusetts Clean Water Trust (CWT, formerly the Massachusetts Water Pollution Abatement Trust (MWPAT)) subsidized, bonds are recorded at the gross amount outstanding. Pursuant to the arrangement with the CWT, certain principal payments are subsidized by the CWT in future periods. Additionally, it is anticipated the Town will receive a subsidy for a portion of the interest of the debt service via contract payments to CWT (and CWT available earnings). The subsidy for interest is recorded as revenue and expenses in the accompanying financial statements. During fiscal year 2017, the Town received an interest subsidy of approximately $3,000.

Future debt service requirements

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2017, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 2,481,333	$ 1,560,124	$ 4,041,457
2019	2,519,921	1,473,433	3,993,354
2020	2,568,583	1,372,428	3,941,011
2021	2,617,318	1,270,107	3,887,425
2022	2,556,132	1,167,584	3,723,716
2023-2027	13,021,881	4,470,121	17,492,002
2028-2032	12,354,782	2,256,521	14,611,303
2033-2036	5,398,707	237,674	5,636,381
Total	$ 43,518,657	$ 13,807,992	$ 57,326,649

The Town is subject to a dual level general debt limit—the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth. Additionally, there are many categories of general obligation debt that are exempt from the debt limit but are subject to other limitations. The Town is responsible for any debt of joint ventures in which it participates through the appropriate annual assessment.

Unissued debt authorizations consist of the following:

Purpose	Year Authorized	Balance June 30, 2017
Roads	2012, 2016	$ 6,900,000
Water	2004-2010,2016	3,920,942
Parks	2017	1,656,264
Sewer	2000,2003,2008	370,506
Library	2016	147,560
Totals		$ 12,995,272

Lease obligations

A. Operating leases

The Town has entered into a number of operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payment for non-cancelable operating and capital leases are immaterial as of June 30, 2017.

B. Capital leases

The Town has entered into several capital leases for fire pumper. This asset is included in the Town's capital asset inventory and reported a net book value at June 30, 2017 of $137,000. The annual requirement to pay future capital lease payments consisted of the following:

Year Ending June 30,	Principal	Interest	Total
2018	$ 41,643	$ 7,998	$ 49,641
2019	43,513	6,128	49,641
2020	45,467	4,175	49,642
2021	47,508	2,133	49,641
Total	$ 178,131	$ 20,434	$ 198,565

Note 11. Employee Benefits

A. Retirement Benefits

1. Plymouth County Retirement Association

Plan Description

The Plymouth County Retirement Association (the Plan) is a multiple-employer, cost sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Plymouth County Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions for these school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System (MTRS). Membership in the Plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. As of December 31, 2016, the Association had 55 participating employers.

The Association is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The Public Employee Retirement Administration Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's public retirement systems. The Association is governed by a five-member Board who establish the policies under which the Association operates. The Association issued an audited financial statement for the year ended December 31, 2016, which may be obtained by contacting the Association directly at: Plymouth County Retirement Association, 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360.

Benefits Provided

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

Contributions

There are three classes of membership in the retirement system: Group 1, Group 2 and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have specified as hazardous. Lastly, Group 4 consists of police officers, firefighters and other hazardous positions.

Any individual in Group 1 or Group 2 whose membership began before January 1, 1978 and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or later, regardless of how many years or creditable service. There is no minimum vesting requirements for individuals in Group 4.

Members in Group 1 and 2, hired after January 1, 1978 and prior to April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 20 years of service or upon completion of 10 years of service and upon reaching age 55.

Members in Group 1 and 2, hired on or after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching age 60 (Group 1) or age 55 (Group 2).

Governmental employers are required to pay an annual appropriation established by PERAC. The total appropriation includes the amount to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and an additional appropriation in accordance with adopted early retirement incentive programs. The total appropriations are payable July1 and January 1. Employers may choose to pay the entire appropriation in July at a discount rate of approximately 2%. The pension fund appropriations are allocated among employers based on covered payroll. The Town's statutorily required contribution for the year was $3,619,099, which was net of the discount.

Pension Liabilities, expenses, and deferred outflows of resources related to pensions

The collective net pension liability of the Association was determined by an actuarial valuation as of January 1, 2016 (measurement date).

At December 31, 2016 based upon valuation date of January 1, 2017:

	2016
Total pension liability	$ 1,520,090,445
Less: plan fiduciary net position	(886,584,737)
Net pension liability	$ 633,505,708

Plan's fiduciary net position as a percentage of total pension liability		58.32%
Total employer pension expense	$	80,905,182
The Town's proportionate share of the collective net pension liability	$	34,338,665
The Town's percentage share of the collective net pension liability		5.4204%
Town covered payroll	$	14,264,455
The Town's proportionate share of pension expense recognized	$	4,229,091

The Town's proportionate share of collective deferred outflows and deferred inflows of resources are netted and are to be recognized in future pension expense in each of the years ending June 30 as follows:

	Net Amount
June 30, 2018	$ 935,383
June 30, 2019	935,383
June 30, 2020	569,310
June 30, 2021	11,605
Total	$ 2,451,681

Actuarial Assumptions

Valuation date:	January 1, 2017
Actuarial cost method:	Individual Entry Age Normal Cost Method.
Investment rate of return:	8% nominal rate, net of investment expense.
Amortization method:	Payments increase at 3.5% for the unfunded actuarial accrued liability, and level amortization of the 2002, 2003, and 2013 Early Retirement Incentives.
Remaining amortization period:	Amortization of the unfunded actuarial accrued liability over 12 years, the 2002 ERI over two years, 2003 ERI over three years, and the 2013 ERI over 11 years; all as of July 1, 2017.
Asset valuation method:	Market value with a five year smoothing of asset returns greater than or less than the assumed rate of return, with a 20% corridor.
Projected salary increases:	3.75% per year.
Cost-of-living adjustments:	3.00% of the less of the pension amount and $14,000 per year.
Rates of retirement:	Varies based upon age for general employees, police, and fire employees.
Rates of disability:	General employees – 45% ordinary (55% service connected). Police & Fire – 10% ordinary (90% service connected).
Mortality rates:	It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2016, 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 3 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. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2016.

The Plan's investment policy in regard to the allocation of invested assets is established by the Board and pursuant to Massachusetts General Laws and Public Employee Retirement Administration guidelines. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The investment objective is to fully fund the Plan by generating sufficient long-term inflation adjusted capital appreciation while providing sufficient liquidity to meet short-term withdrawal requirements. The Board desires to balance the goal of higher long-term returns with the goal of minimizing contribution volatility, recognizing these are often competing goals. This requires taking both assets and liabilities into account when setting investment strategy. The pension's plan target asset allocations are summarized in the following table:

Asset Class	Long Term Expected Nominal Rate of Return	Target Allocation
US equity	7.50%	26.50%
Developed markets equity	7.30%	16.00%
Emerging markets equity	9.80%	4.00%
Core bonds	4.20%	11.50%
Foreign bonds	2.40%	3.00%
Emerging markets bonds	5.50%	4.00%
High yield bonds	6.00%	4.00%
Bank loans	5.50%	3.00%
Private equity	9.60%	10.60%
Real estate	6.90%	10.00%
Natural resources	7.00%	1.00%
Infrastructure	7.80%	2.00%
Hedge funds	5.30%	4.00%
Cash	2.80%	1.00%
Total		100.00%

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The discount rate was selected based on a projection of employer and employee contributions benefit payments, expenses and the long term expected rate of return on trust assets. Under Chapter 32 of the Massachusetts General Law, employers are required to make the necessary contributions to the trust such that the plan reaches a full funding status by 2040.

Sensitivity of the net position liability to changes in the discount rate

The following presents the net position liability calculated using the discount rate of 8.00%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%).

	1% decrease (7.00%)	Current Discount Rate (8.00%)	1% increase (9.00%)
Plymouth County Retirement Association's net pension liability as of December 31, 2016	$792,114,439	$633,505,708	$498,613,279
Town's proportionate share	$ 42,924,391	$ 34,338,665	$ 27,019,671

2. Special Funding Situation - MTRS

Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans.* MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaborative and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. Financial information of the MTRS' Pension Trust fund financial statements is contained in the Commonwealth's Comprehensive Annual Financial Report (CAFR). The Commonwealth's CAFR may be obtained by contacting the Comptroller's office directly at One Ashburton Place #919, Boston, MA 02108.

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

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers, including the Collaborative, are 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 contributing entity in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. However, the Town is required to disclose the portion of the nonemployer contributing entities' (the Commonwealth) share of the collective net pension liability that is associated with the Town. In addition, the Town must recognize its portion of the collective pension expense as both a revenue and pension expense.

Benefits Provided

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

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

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

Contributions

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

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

Contributions are provided by the Commonwealth on behalf of the Town based upon actuarially determined amounts. The Commonwealth's actuarial determined contribution on behalf of the Town for fiscal year 2017 was $2,533,529 and was recorded as intergovernmental revenue and employee benefits expense in the fund financial statements. The annuity portion of the MTRS retirement is funded by employees, through contribution of a percentage of their compensation as indicated above.

Pension Liabilities and expenses related to pensions

The collective net pension liability of the MTRS was determined by an actuarial valuation as of January 1, 2016, rolled forward to June 30, 2016 (measurement date). The following table illustrates the Plan's net pension liability and the Commonwealth's proportionate share associated with the Town.

	2016
Total pension liability	$ 47,300,000,000
Less: plan fiduciary net position	(24,942,072,000)
Net pension liability	$ 22,357,928,000
Plan's fiduciary net position as a percentage of total pension liability	52.73%
Commonwealth's proportionate share of collective net pension liability associated with the Town	$ 50,369,298
Commonwealth's proportionate share associated with the Town as a percentage of the total net pension liability	.225286%
Commonwealth's proportionate share of pension expense associated with the Town	$ 5,137,999

The Commonwealth's proportionate share of pension expense has been included on the Town's statement of revenues, expense, and fund balance under intergovernmental revenue and employee benefits and other insurances expenses. In the Statement of Activities, these amounts are reported as Program Revenue Operating Grant and Contributions and employee benefits and other insurances expenses. As the net pension liability is a special funding situation, and the Town does not contribute to MTRS, the Town does not book a liability in the Statement of Net Position.

Actuarial Assumptions

The calculation used the following assumptions:

(1) (a) 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first $13,000 per year.

(2) Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.

(3) Mortality rates were as follows:
   a. Pre-retirement: reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct).
   b. Post-retirement: reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct).
   c. Disability: assumed to be in accordance with the RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 set forward 4 years.

(4) Experience study was performed as follows:
   - Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	40.0%	6.9%
Core Fixed Income	13.0%	1.6%
Hedge Funds	9.0%	4.0%
Private Equity	10.0%	8.7%
Real Estate	10.0%	4.6%
Value Added Fixed Income	10.0%	4.8%
Portfolio Completion Strategies	4.0%	3.6%
Timber/Natural Resources	4.0%	5.4%
Total	100.0%	

Discount Rate

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

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate at June 30, 2016 (in thousands).

June 30, 2016	1% Decrease to 6.5%	Current Discount Rate 7.5%	1% Increase to 8.5%
MTRS- Total	$27,464,000	$22,357,928	$18,022,000
Proportionate share associated with Town	$ 61,873	$ 50,369	$ 40,601

B. Compensated Absences

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. Vacation carryover at year end of approximately $172,000 has been recorded as a liability in the Balance Sheet at June 30, 2017. Accumulated unused sick leave of approximately $4.2 million due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Position at June 30, 2017.

C. Other Post Employment Benefits

Plan Description

The Town administers a single employer defined benefit plan which provides health, dental and life insurance (the Plan) to substantially all retired employees and their spouses (plan members). The Town's retired teachers, participate in plan offerings from the Group Insurance Commission, via the Town's participation in the Commonwealth's Retired Municipal Teacher (RMT) Program. Benefits are provided for and amended under various provisions of Massachusetts General Law, terms of collective bargaining agreements and Town ordinances. Additional descriptions are as follows:

1) Retiree Medical Insurance Program:
   a. Plan Type: Comprehensive Medical offered through Blue Cross of Massachusetts (Retired Teachers provided through GIC)
   b. Cost sharing: Retiree premium payment for medical coverage 25% (retired teachers pay 10%-15% via GIC depending upon retirement date).

2) Retiree Dental Insurance Program:
   a. Plan Type: Comprehensive dental insurance.
   b. Cost sharing: Retiree pays 50% of premiums (retired teachers pay 100% via GIC).

3) Retiree Life Insurance Program:
   a. Plan Type: Group Term Life Insurance - $1,000, $50,000 or $75,000
   b. Cost sharing: 50% of premiums ($.80 per month for retired teachers).

Benefits Provided and Eligibility

The Plan provides health and dental benefits to retirees, their dependents and beneficiaries. Benefits are provided through Blue Cross of Massachusetts (retired teachers receive coverage via the Group Insurance Commission), comprehensive dental insurance through Delta Dental & Group Term Life Insurance. Contribution rates of retirees are established by collective-bargaining agreements, Massachusetts General Law, and Town ordinances. Eligibility for the Plan are as follows:

i. Completion of 20 years of service, regardless of age.
ii. For an employee hired prior to April 2, 2012 – attainment of age 55 as an active member and completion of 10 years of service.
iii. For an employee hired on or after April 2, 2012 – attainment of age 60 as an active member and completion of 10 years of service.

Employees Covered by Benefit Terms

As of the actuarial valuation date and measurement date, June 30, 2016, the following employees were eligible participants of the Plan:

Actives	496
Retirees/Disabled	481
Total	977

Contributions

The required contribution is based on pay-as-you-go financing requirements. The Town contributes at least 75% of the medical insurance premiums with the remainder being funded by the retiree. Retirees pay 50% of the premium for dental insurance.

Investment Policy and Rate of Return

The Town currently maintains funds in accordance with Massachusetts General Laws, Chapter 203C. The Town has not established a formal investment policy regarding OPEB funds, which develops a strategy for expected long-term rate of return on assets and target allocations of those assets. As previously stated, prefunded amounts have been accounted for. The Town pays monthly premiums on a monthly basis. The Town's estimated money weight of return as of the measurement date is approximately 3.0%.

Actuarial Determined Contribution (ADC)

The Town's Actuarial Determined Contribution (ADC) is an amount actuarially determined in accordance with GASB Statement No. 74/75 which represents a level of funding that, if paid on an ongoing basis, is projected to cover the service cost each year and amortize any unfunded actuarial liabilities (or funding excess). The following table shows the components of the Town's annual ADC for the fiscal year 2017 and the amount actually contributed to the Plan. Contributions are actuarially determined inclusive of implicit subsidies.

Service cost	$	3,309,245
30 year amortization of NOL at 3.00%		4,577,307
Actuarial determined contribution		7,886,552
Contributions in relation to actuarially determined contribution		(2,711,327)
Contribution deficiency/(excess)	$	5,175,225
Covered employee payroll	$	30.2 million
Contributions as a percentage of covered employee payroll		8.98%

Net OPEB Liability

In accordance with GASB No. 75, the Town recognizes a net OPEB liability measured as the portion of the actuarial present value of projected benefit payments that is attributable to past periods of employee service, net of the OPEB plan's fiduciary net position. The net OPEB liability is recognized as of the measurement date. The Town's measurement date was June 30, 2016, the end of the Town's prior fiscal year (reporting year).

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 the 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 values in the actuarial report reflect a closed group and do not reflect any new entrants after the valuation date.

The following significant assumptions were utilized in the actuarial valuation:

Valuation Date:	Actuarial determined Contribution was calculated as of June 30, 2016 (measurement date).
Actuarial Cost Method:	Individual Entry Age Normal
Discount Rate:	3.00% per annum (previously 4.00%)
Investment Rate of Return:	2.50%, net of OPEB Plan investment expense, including inflation.
Municipal Bond Rate:	2.71% as of June 30, 2016 (source: S&P Municipal Bond 20-year High Grade Index – SAPIHG)
Healthcare Trend Rates:	5.00% for medical and dental for future years.
General Inflation Assumption:	2.75% per annum
Annual Compensation Increases:	3.00% per annum
Actuarial Value of Assets:	Market Value of assets as of the Measurement Date, June 30, 2016.
Pre-Retirement Mortality:	RP-2000 Employees Mortality Table projected generationally with Scale BB and a base year 2009 for males and females. (Previously RP-2000 Mortality Table projected to 2017.)
Post-Retirement Mortality:	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year 2009 for males and females. (Previously RP-2000 Mortality Table projected to 2017.)
Disabled Mortality:	RP-2000 Health Annuitant Mortality Table projected generationally with Scale BB and a base year 2012 for males and females.

Changes in the Net OPEB Liability

The following table illustrates the changes in the net OPEB liability through the actuarial valuation date of June 30, 2016 (measurement date).

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2015 (GASB 45)	$ 71,686,060	$ 26,842	$ 71,659,218
Change in assumptions for GASB 75	10,081,804	-	10,081,804
Balances at June 30, 2015 (GASB 75)	81,767,864	26,842	81,741,022
Changes for the year:			
Service cost	3,405,244		3,405,244
Interest on Net OPEB liability and service cost	2,516,467	805	2,515,662
Differences between actual and expected experience	7,453,033	909	7,452,124
Net investment income		1,942	(1,942)
Employer contributions to the Trust		2,703,348	(2,703,348)
Benefit payments withdrawn from the Trust		(2,600,938)	2,600,938
Benefit payments, including refunds of member contributions	(2,600,938)	-	(2,600,938)
Net changes	10,773,806	106,066	10,667,740
Balances at June 30, 2016 (GASB 75)	$ 92,541,670	$ 132,908	$ 92,408,762

Plan fiduciary net position at the measurement date	$ 132,908
Plan fiduciary net position as a percentage of the total OPEB liability (measurement date)	0.14%

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

The following presents the impact on the net OPEB liability and corresponding service cost of the Town, as well as what the Town's net OPEB liability and corresponding service cost would be if they were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease 2.00%	Current Discount Rate 3.00%	1% Increase 4.00%
Net OPEB Liability	$ 109,180,793	$ 92,408,762	$ 79,175,714

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

The following presents the impact on the net OPEB liability and corresponding service cost of the Town, as well as what the Town's net OPEB liability and corresponding service cost would be if they were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates for each year within the trend:

	1% Decrease 4.00%	Current Trend Rate 5.00%	1% Increase 6.00%
Net OPEB Liability	$ 74,315,224	$ 92,408,762	$ 115,768,578

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

As of the measurement date, June 30, 2016, the Town had experience losses of $7,453,033 and deferred inflows associated with net difference between projected and actual earnings of $909, which are to be amortized over 5.42 years. For fiscal year 2017 the Town recognized $1,367,347 in net OPEB expense. The future amortization of the net deferred outflows and deferred inflows of resources over future periods to be included in expense are as follows:

Year ended June 30		Amount
2018	$	1,367,347
2019		1,367,347
2020		1,367,347
2021		1,367,348
2022		615,388
Total	$	4,717,429

Note 12. Tax Increment Financing Agreement

In October 2009, the Town entered into a Tax Increment Financing Agreement (TIF) with Airxchange, Inc (the Company), pursuant to Massachusetts General Laws and Commonwealth approval. The Agreement was subsequently amended in October 2014, in which both the Town and the Company have mutually agreed to which the Company expects to retain 69 permanent full-time jobs, create 42 new permanent full-time jobs by December 31, 2020. Additionally, the Company agreed to make facility expansions which occurred in 2010. The Town has agreed over a period of twenty (20) years (exemption term), to forgo a portion of the real estate property tax that would otherwise be assessed and collected on parcels occupied by the Company and identified within the Agreement. The TIF provides for a percentage exemption from taxation on the value of the new improvements at the Company’s facility ranging from 15% for the first five years, 10% for the next five years, and 5% for the remaining ten (10) years of the Agreement. The Agreement does not create any enforceable obligations or covenants. However, it does provide should the Company move or relocate its corporate headquarters outside the legal borders of the Town during the exemption term, the Company agrees to reimburse the Town for all tax exemptions it received under the Agreement. For the fiscal year ended June 30, 2017, the tax exemption provided to the Company as a result of this Agreement was $5,200, which represented 10% of the assessed value of $2.8 million.

Note 13. Landfill Closure and Postclosure Care Costs and Related

State and Federal laws and regulations required the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years thereafter.

As of June 30, 2017, $451,000 has been reported on the Town's statement of net position as an estimated remaining liability for post-closure monitoring costs of the landfill. As of June 30, 2017, the Town has anticipates 11 years of post-closure monitoring remaining. Actual costs in future periods associated with post-closure monitoring may change due to the finalizing of regulations with regulatory authorities, changing technology, and inflation.

In December 2011, the Town entered into a site lease agreement with NextSun Energy LLC (the Lessee) for the construction of a solar power generation facility on the capped landfill site, for a twenty year period. Additional extension periods are available per the agreement. The Town has also entered into an agreement to purchase electricity from this facility. The annual payment to the Town per the agreement is $47,200. This is a general receipt to the Town. The future rental payments are as follows:

For the fiscal year ended	Amount
2018	$ 47,200
2019	47,200
2020	47,200
2021	47,200
2022	47,200
2023-2027	236,000
2028-2031	236,000
Total	$ 708,000

Note 14. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Town carries commercial insurance for all risks, except health insurance. As previously noted, the Town participates in the Commonwealth's Retired Municipal Teacher (RMT) Program. The Town's annual contribution to the program for premiums is deducted directly from the Town's state aid. The assessment for fiscal year 2017 was approximately $1.2 million.

During fiscal year 2017 Town belonged to the Mayflower Municipal Health Group (Group), a joint purchasing group established under MGL Chapter 32B, section 12 for employee and retirees' health and dental insurance. The Town budgets and pays annual premiums to the Group on the "pay-as-you go" basis. The Town's share of health insurance benefits is approximately 79% and 75% for active and retired participants respectively. The Group reinsures itself for claims in excess of $300,000 per participant lifetime. Total health and dental premiums paid to the Group for the year ended June 30, 2017 was approximately $9.0 million.

Effective July 1, 2017, the Town withdrew from the Group and became premium based insured directly with Blue Cross/Blue Shield for fiscal year 2018. Additional information may be obtained by contacting the Town directly.

Note 15. Commitments and Contingencies

Various legal actions and claims are pending against the Town as of June 30, 2016. In the opinion of the administration, the ultimate resolution of these legal actions will not result in a material loss to the Town.

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

The Town maintains various contractual arrangements for goods and services. The Town maintains a five year contract, subject to renewal, with a third party vendor for the operation of its sewer plant which payments aggregated approximately $1.7 million for fiscal year 2017. Other significant ongoing contractual arrangements provide for annual services for solid waste disposal and student transportation, the cost of which for fiscal year 2017 was approximately $913,000 and $610,000 respectively. As of June 30, 2017, the Town had ongoing projects related to road construction.

Note 16. Restatement of certain beginning balances

The following illustrates certain restatements of beginning balances to correspond with the current year presentations and implementation of GASB Statement #75, *Financial Reporting for Post Employment Benefit Plans Other Than Pensions.*

	Governmental Activities	Fund Basis Statements: Other Governmental Funds	Fund Basis Statements: Water Mains
Net position/fund balance, June 30, 2016	$ 33,754,598	$ 2,959,437	$
Reclassification of major fund		212,471	(212,471)
Net change for implementation of GASB #75	(50,781,748)	-	-
Net position/fund balance, restated, July 1, 2016	$ (17,027,150)	$ 3,171,908	$ (212,471)

Note 17. GASB Pronouncements

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which are applicable to the Town's financial statements.

Current pronouncements

The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, which was required to be implemented in fiscal year 2017. The pronouncement replaces previously amended issued guidance and establishes new accounting and financial reporting requirements for OPEB plans, including those plans administered through certain trusts. The Town implemented this pronouncement as applicable.

The GASB issued Statement #75, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, which is required to be implemented in fiscal year 2018. The pronouncement replaces previously issued guidance and establishes new accounting and financial reporting requirements for governments whose employees are provided other post-employment benefits. The Town early implemented this pronouncement in the current year.

The GASB issued Statement #77, *Tax Abatement Disclosures*, which was required to be implemented in fiscal year 2017. The pronouncement issues guidance regarding disclosures of any tax abatement agreements with parties which the government promises to forgo tax revenues for the promise of specific actions which contribute to economic development or otherwise benefits the government or its citizens. The Town implemented this pronouncement as applicable.

The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which was required to be implemented in fiscal year 2017. The pronouncement issues guidance improving accounting and financial reporting for these agreements which are used by donors to provide resources to two or more beneficiaries, including governments. The pronouncement had no effect on the Town's financial reporting in the current year.

Future pronouncements

The GASB issued Statement #82, *Pension Issues - An Amendment of GASB Statement No. 67, No. 68 and No. 73* which is generally required to be implemented in fiscal year 2018. The pronouncement addresses certain classification, presentation and other issues raised with previous Statements addressing pension obligations. The Town expects to implement the pronouncement as applicable.

The GASB issued Statement #83, *Certain Asset Retirement Obligations* is generally required to be implemented in fiscal year 2019. The pronouncement addresses accounting and financial reporting for legally enforceable retirements of tangible capital assets. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #84, *Fiduciary Activities* is generally required to be implemented in fiscal year 2020. The pronouncement addresses improvements in identification of fiduciary activities and the accounting and financial reporting thereof. The Town expects to implement the pronouncement as applicable.

The GASB issued Statement #85, *Omnibus 2017* is generally required to be implemented in fiscal year 2018. The pronouncement addresses a variety of issues in the implementation of various statements. The Town will evaluate the topics addressed by the statement as applicable.

The GASB issued Statement #86, *Certain Debt Extinguishment Issues* is generally required to be implemented in fiscal year 2018. The pronouncement addresses consistency in accounting and financial reporting for in-substance defeasance of debt with only existing resources. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #87, *Leases* is generally required to be implemented in fiscal year 2020. The pronouncement changes recognition of leases under a single reporting model based upon the principal that leases are financings of the right to use an underlying asset. The Town expects the pronouncement to have an impact on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ROCKLAND, MASSACHUSETTS
Required Supplementary Information
Schedule of Pension Plan Contributions
June 30, 2017

Schedule of pension plan contributions

A. Plymouth County Retirement Association

The Plymouth County Retirement Association (the Plan) is a multiple-employer, cost sharing contributory defined benefit pension plan covering eligible employees (except for school department employees who serve in a teaching capacity). Based upon the actuarial valuation date of the Plan as of December 31, 201X, the following is presented.

	2016	2015	2014
Total pension liability	$ 1,520,090,445	$ 1,466,863,880	$ 1,417,490,110
Less:			
Plan fiduciary net position	(886,584,737)	(832,637,492)	(834,581,969)
Net pension liability	$ 633,505,708	$ 634,226,388	$ 582,908,141
Plan fiduciary net position as a percentage of total pension liability	58.3%	56.8%	58.9%
Town's proportionate/allocated share of collective net pension liability	$ 34,338,665	$ 35,165,926	$ 32,320,486
Town's proportionate share of pension expense	$ 4,229,091	$ 4,012,113	$ 3,342,469
Town's share of collective net pension liability as a percentage of the total	5.420%	5.545%	5.545%
Actuarially determined contribution	$ 3,619,099	$ 3,476,580	$ 3,216,527
Contributions in relation to actuarial determined contribution	$ (3,619,099)	$ (3,476,580)	$ (3,216,527)
Contribution (deficiency)excess	$	$	$
Town's covered payroll	$14 Million	$13 Million	$13 Million
Town's contributions as a percentage of covered payroll	25.37%	26.08%	23.51%
Town's proportionate share of the collective net pension liability as a percentage of covered payroll	245.28%	263.76%	236.28%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

Schedule of pension plan contributions

B. Special Funding Situation - Massachusetts Teachers Retirement System (MTRS)

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB and the Commonwealth is a nonemployer contributing entity in the MTRS (the Plan). Since the Town does not contribute directly to the MTRS, there is no net pension liability to recognize for each employer. Based upon the actuarial valuation of the Plan as of January 1, 201X, the following is presented.

	2016	2015	2014
Total pension liability	$ 47,300,000,000	$ 45,918,711,000	$ 41,435,000,000
Less:			
Plan fiduciary net position	(24,942,072,000)	(25,429,068,000)	(25,538,646,000)
Net pension liability	$ 22,357,928,000	$ 20,489,643,000	$ 15,896,354,000
Plan fiduciary net position as a percentage of total pension liability	52.73%	55.38%	61.64%
Commonwealth's proportionate/allocated share of collective net pension liability associated with the Town	$ 50,369,298	$ 45,540,139	$ 35,204,329
Commonwealth's proportionate share of collective pension expense associated with the Town	$ 5,137,999	$ 3,693,711	$ 2,445,814
Commonwealth's proportionate share of collective net pension liability as a percentage of the total associated with the Town	0.225286%	0.222259%	0.221460%
Actuarially determined contribution	$ 2,533,529	$ 2,271,335	$ 2,075,936
Contributions in relation to actuarial determined contribution	$ (2,533,529)	$ (2,271,335)	$ (2,075,936)
Contribution (deficiency)excess	$	$	$
Town's covered payroll -approximate	$15 million	$14 million	$14 million
Commonwealth's contributions on behalf of the Town as a percentage of covered payroll	17.10%	16.12%	15.29%
Town's proportionate share of the collective net pension liability as a percentage of covered payroll	339.91%	323.24%	259.26%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

TOWN OF ROCKLAND, MASSACHUSETTS
Required Supplementary Information and Notes
Schedule of Changes in the Town's Net OBEB Liability and Related Ratios
June 30, 2017

	(Measurement Date) 2016
Total OPEB liability:	
Service cost	$ 3,405,244
Interest on Net OPEB liability and service cost	2,515,662
Differences between actual and expected experience	7,452,124
Benefit payments, including refunds of member contributions	(2,600,938)
Net change in total OPEB liability	10,773,806
Total OPEB liability - beginning	81,767,864
Total OPEB liability - ending	92,541,670
Plan Fiduciary Net Position:	
Interest on Net OPEB liability and service cost	805
Differences between actual and expected experience	909
Net investment income	1,942
Employer contributions to the Trust	2,703,348
Benefit payments withdrawn from the Trust	(2,600,938)
Net change in fiduciary net position	106,066
Plan Fiduciary net position - beginning	26,842
Plan Fiduciary net position - ending	132,908
Town's Net OPEB liability - ending	$ 92,408,762
Plan fiduciary net position as a percentage of total OPEB liability	.14%
Covered employee payroll (approximate)	$ 30.0 million
Town's Net OPEB liability as a percentage of covered employee payroll	306.1%

Notes to Schedule:

Changes in Assumptions - Effective June 30, 2016

- Discount rate is 3.00%, previously 4.00%.
- The assumed pre-retirement mortality table is RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females; previously RP-2000 Mortality Table projected to 2017.
- The assumed post-retirement mortality table is the RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females; previously RP-2000 Mortality Table projected to 2017.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years which information is available.

TOWN OF ROCKLAND, MASSACHUSETTS
Required Supplementary Information and Notes
Schedule of Town Contributions – Other Postemployment Benefits
June 30, 2017

Actuarial Determined Contribution (ADC)	$	7,886,552
Contributions in relation to actuarially determined contribution*		(2,711,327)
Contribution deficiency/(excess)	$	5,175,225

Notes to Schedule:

Valuation Date:	Actuarial determined contribution was calculated as of June 30, 2016.
Actuarial Cost Method:	Individual Entry Age Normal
Asset Valuation Method:	Market value of assets as of the measurement date, June 30, 2016.

Methods and assumptions used to determine contribution rates:

Investment Rate of Return:	6.50%, net of OPEB plan investment expense, including inflation.
Single Equivalent Discount Rate:	3.00%, net of OPEB plan investment expense, including inflation.
Inflation:	2.75% as of June 30, 2016 and for future periods.
Healthcare Cost Trend Rates:	5% for medical and dental for future years.
Salary Increases:	3.00% annually as of June 30, 2016 and for future periods.
Cost of Living Adjustment:	Not applicable.
Pre-Retirement Mortality:	RP-2000 Employees Mortality Table projected generationally with Scale BB and a base year 2009 for males and females.
Post-Retirement Mortality:	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year 2009 for males and females.
Disabled Mortality:	RP-2000 Health Annuitant Mortality Table projected generationally with Scale BB and a base year 2012 for males and females.

*Contributions include implicit subsidies associated with retirees who are not eligible for Medicare and are charged the same premium as active employees, even though actual medical costs are higher on average. Consequently, a portion of the premiums being paid for active employees are being used to subsidize the premiums of retirees.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years which information is available.

TOWN OF ROCKLAND, MASSACHUSETTS
Required Supplementary Information and Notes
Schedule of Investment Returns – Other Postemployment Benefits
June 30, 2017

	(Measurement Date) 2016
Annual money-weighted rate of return, net of investment expense*	3.0%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years which information is available.

TOWN OF ROCKLAND, MASSACHUSETTS
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	$ 34,472,353	$ 34,472,353	$ 34,526,521	$ 54,168
Excise taxes	2,517,819	2,517,819	3,249,981	732,162
Penalties and interest	260,000	260,000	312,376	52,376
Investment income	95,000	95,000	164,121	69,121
Departmental fees, fines and other	2,470,000	2,470,000	3,084,452	614,452
Intergovernmental	16,752,566	16,752,566	16,953,230	200,664
Total revenues	56,567,738	56,567,738	58,290,681	1,722,943
Expenditures:				
General government	2,511,570	2,369,871	2,359,858	10,013
Public safety	7,779,323	7,244,983	7,335,336	(90,353)
Education	25,498,341	25,712,193	25,494,001	218,192
Public works	1,228,153	1,755,405	1,925,543	(170,138)
Human services	2,257,627	2,285,672	2,050,157	235,515
Culture and recreation	1,053,609	973,765	909,040	64,725
Employee benefits and other insurances	12,113,849	11,531,085	11,274,947	256,138
Assessments	2,700,710	2,700,710	2,653,306	47,404
Debt service	3,622,760	3,622,760	3,673,481	(50,721)
Total expenditures	58,765,942	58,196,444	57,675,669	520,775
Revenues over (under) expenditures	(2,198,204)	(1,628,706)	615,012	2,243,718
Other financing sources (uses):				
Transfers in from other funds	10,150	45,805	47,005	1,200
Transfers (out) to other funds		(694,000)	(708,994)	(14,994)
Total other financing sources (uses)	10,150	(648,195)	(661,989)	(13,794)
Revenues and other financing sources over (under) expenditures and other financing uses	(2,188,054)	(2,276,901)	$ (46,977)	$ 2,229,924
Other budget items:				
Carryover encumbrances and articles	941,017	(287,591)		
Use of available fund balance	1,416,960	2,734,415		
Funding of prior year deficits	(169,923)	(169,923)		
Total other budget items	2,188,054	2,276,901		
Net budget	$	$		

TOWN OF ROCKLAND, MASSACHUSETTS
Required Supplementary Information
Budgetary Comparison Schedule - Water
For the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Charges for services and other	$ 2,761,385	$ 2,761,385	$ 3,137,137	$ 375,752
Total revenues	2,761,385	2,761,385	3,137,137	375,752
Expenditures				
Public works	2,750,226	2,450,598	2,258,345	192,253
Debt service	644,055	644,055	464,814	179,241
Total expenditures	3,394,281	3,094,653	2,723,159	371,494
Revenues over (under) expenditures	(632,896)	(333,268)	$ 413,978	$ 747,246
Other budget items				
Appropriation of fund balance	327,500	377,500		
Carryover encumbrances and articles	305,396	(44,232)		
Total other budget items	632,896	333,268		
Net budget	$	$		

TOWN OF ROCKLAND, MASSACHUSETTS
Budgetary Comparison Schedule - Sewer
For the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Charges for services and other	$ 2,336,152	$ 2,336,152	$ 2,480,837	$ 144,685
Total revenues	2,336,152	2,336,152	2,480,837	144,685
Expenditures				
Public works	2,966,215	2,498,033	2,339,097	158,936
Debt service	125,000	125,000	84,955	40,045
Total expenditures	3,091,215	2,623,033	2,424,052	198,981
Revenues over (under) expenditures	(755,063)	(286,881)	$ 56,785	$ 343,666
Other budget items				
Appropriation of fund balance	240,000	240,000		
Carryover encumbrances and articles	515,063	46,881		
Total other budget items	755,063	286,881		
Net budget	$	$		

See Independent Auditor's Report.
See accompanying notes to budgetary comparison schedule.

Note 1. Budgetary basis of accounting

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for most departments and operations of the Town are prepared under the direction of the Board of Selectmen. The school department budget is prepared under the direction of the School Committee. The water and sewer department budgets are prepared under the direction of each department's board of commissioners. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund functions are budgeted, the town does not have legally adopted annual budgets for its special revenue funds, except for aforementioned water and sewer funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column of the Budgetary Comparison Schedule – General Fund are presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the year ended June 30, 2017, is presented below:

General Fund

Description	Revenues	Expenditures	Other Financing Sources (Uses), Net
As reported on a budgetary basis	$ 58,290,681	$ 57,675,669	$ (661,989)
Activity associated with the stabilization fund	9,873		675,000
Adjustment of property tax revenues to modified accrual basis	(52,554)		
Adjustment to provision for refund of paid taxes	273,327		
Net adjustment for estimated vacation liability		(51,100)	
Adjustment for timing of Town Meeting appropriations			753,084
State funded teachers' pension	2,533,529	2,533,529	
As reported on a GAAP basis	$ 61,054,856	$ 60,158,098	$ 766,095

A reconciliation of the budgetary-basis to GAAP-basis results for the water fund for the year ended June 30, 2017, is presented below. There is no difference between GAAP and budgetary basis for the sewer fund.

Water Fund

Description	Revenues	Expenditures	Other Financing Sources (Uses), Net
As reported on a budgetary basis	$ 3,137,137	$ 2,723,159	$ (68,374)
Grossup of joint water works activity	1,726,731	1,726,731	
As reported on a GAAP basis	$ 4,863,868	$ 4,449,890	$ (68,374)