

Registered  
Number R-1

Registered  
\$4,655,000

United States of America

The Commonwealth of Massachusetts

TOWN OF NATICK

GENERAL OBLIGATION  
BOND ANTICIPATION NOTE  
(MUNICIPAL PURPOSE LOAN OF 2019)

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Registration and Original Issue Date</u>	<u>CUSIP</u>
2.25%	February 21, 2020	June 28, 2019	632363 L70

PRINCIPAL AMOUNT:      FOUR MILLION SIX HUNDRED FIFTY-FIVE  
THOUSAND DOLLARS

REGISTERED OWNER:      CEDE & CO.

REGISTRAR AND  
PAYING AGENT:              U.S. BANK NATIONAL ASSOCIATION

The Town of Natick, Massachusetts (the "Town") for value received, promises to pay to the Registered Owner of this note or registered assigns the Principal Amount specified above in lawful money of the United States of America on the Maturity Date upon presentation and surrender hereof, with interest (calculated on the basis of a 30-day month and a 360-day year) at the Interest Rate per annum, payable on the Maturity Date. This note will bear interest from the Original Issue Date.

This note certificate is the only instrument representing an issue of \$4,655,000 aggregate principal amount of notes issued by the Town pursuant to Chapter 44 of the General Laws as amended in anticipation of bonds authorized for water and outdoor recreational facilities purposes.

The notes are general obligations of the Town and the full faith and credit of the Town is pledged for the payment of principal of and interest on the notes as the same shall become due.

The notes are being issued by means of a book entry system, with a note certificate immobilized at The Depository Trust Company, New York, New York



("DTC") evidencing ownership of the notes in principal amounts of \$1,000 or integral multiples thereof, and with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC. Note certificates are not available for distribution to the public. The principal of and interest on this note are payable by U.S. Bank National Association, or its successor as paying agent (the "Paying Agent") for the Town, in immediately available funds to the Registered Owner of this note, as nominee of DTC. Transfer of principal and interest payments to participants of DTC is the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Town is not responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Unless this note certificate is presented by an authorized representative of The Depository Trust Company to the Paying Agent for registration of transfer, exchange or payment, and any note certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

In the event that (a) DTC determines not to continue to act as securities depository for the notes or (b) the Town determines that continuation of the book entry system of evidence and transfer of ownership would adversely affect the interests of the beneficial owners of the notes, the Town will discontinue the book entry system with DTC. If the Town fails to identify another qualified securities depository to replace DTC, the Paying Agent will authenticate and deliver replacement notes in the form of fully registered certificates.

This note is transferable only upon the registration books kept by the Paying Agent as registrar, but only in a manner which will maintain immobilization of note certificates at one or more securities depositories. This note may not be transferred or exchanged in a manner which would involve the delivery of note certificates to the beneficial owners unless the book entry system has been discontinued by the Town in accordance with the terms of this note, in which case replacement notes may be issued in accordance with law and such procedures as the Town shall deem appropriate.

The Town hereby covenants that it will take all lawful action necessary to comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the notes in order that interest on the notes be and continue to be excluded from gross income for federal income tax purposes and it will refrain from taking any action that would cause interest on the notes to become included in gross income for federal income tax purposes.

In connection with the offering of the notes the Town has executed a Significant Events Disclosure Certificate dated as of the date hereof (as it may be amended from time to time, the "Certificate"). The Town hereby covenants to comply with the provisions of the Certificate, and reference is made to the Certificate for a description of the nature and extent of the obligations of the Town and the rights of the owners of the notes under the Certificate. The Certificate is described in the Official Statement relating to the notes. A copy of the Certificate is available from the Town upon request.

TOWN OF NATICK,  
MASSACHUSETTS

By: \_\_\_\_\_  
Interim Treasurer

Countersigned:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Selectmen

(Town Seal)

## LEGAL OPINION

The following opinion is based on facts and the law existing on the date of original delivery of the notes described therein.

LOCKE LORD LLP  
111 Huntington Avenue  
Boston, Massachusetts

John Townsend, Finance Director and  
Interim Town Treasurer  
Town of Natick  
Natick, Massachusetts

\$4,655,000  
Town of Natick, Massachusetts  
General Obligation Bond Anticipation Notes

We have acted as bond counsel to the Town of Natick, Massachusetts (the "Town") in connection with the issuance by the Town of the above-referenced notes (the "Notes") dated June 28, 2019 and payable February 21, 2020. In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Notes are valid and binding general obligations of the Town and, except to the extent they are paid from the proceeds of the bonds in anticipation of which they are issued or from any other available moneys, the principal of and interest on the Notes are payable from taxes which may be levied upon all taxable property in the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.
2. Interest on the Notes is excluded from the gross income of the owners of the Notes for federal income tax purposes. In addition, interest on the Notes is not a specific preference item for purposes of the federal individual alternative minimum tax. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986, as amended that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such



requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. We express no opinion regarding any other federal tax consequences arising with respect to the Notes.

3. Interest on the Notes is exempt from Massachusetts personal income taxes and the Notes are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Notes or any tax consequences arising with respect to the Notes under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holder of the Note and the enforceability of the Notes may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases

/s/ LOCKE LORD LLP

(Please Note: The following statements are an essential part of the permanent record. Read them carefully before signing this certificate. Advise Locke Lord LLP of any inaccuracy.)

Town of Natick, Massachusetts  
\$4,655,000 General Obligation Bond Anticipation Notes  
dated June 28, 2019

SIGNATURE, NO LITIGATION AND OFFICIAL STATEMENT CERTIFICATE

A. Certificate of Authorized Officers. We, the Interim Treasurer and Selectmen of the Town of Natick, Massachusetts (the "Town"), certify that we have signed the \$4,655,000 2.25 percent General Obligation Bond Anticipation Note (the "Notes") of the Town dated June 28, 2019 and payable February 21, 2020. A book entry system is being used to evidence ownership and transfer of the Notes on the records of The Depository Trust Company ("DTC"). The Notes are issued in the form of a single Note for the full principal amount, registered in the name of "CEDE & CO." as nominee for DTC and immobilized in the custody of DTC. The Note bears the Town seal, which is also affixed to this certificate.

We, the said officers, also certify as follows:

1. Authority. The Notes are issued in the respective amounts set forth below in anticipation of the sale of bonds authorized pursuant to the following statutes and votes of the Town and a vote of the Selectmen duly adopted on June 24, 2019:

- (a) \$2,535,000 - \$2,535,000 East Field Renovation Bonds under G.L. c.44, §7(1) and a vote of the Town passed October 17, 2017 (Article 10, Motion B, Item 3);
- (b) \$1,600,000 - \$1,600,000 Navy Yard Field Renovation Bonds under G.L. c.44, §7(1) and a vote of the Town passed October 17, 2017 (Article 10, Motion B, Item 4); and
- (c) \$520,000 - \$520,000 Water System Improvement Bonds under G.L. c.44, §8(9) and a vote of the Town passed April 23, 2019 (Article 15, Motion D).

2. Description and Purpose of Notes. The Town is issuing and delivering the Notes simultaneously with the delivery of this certificate. The following amounts of the issue are for the following purposes:

<u>Amount</u>	<u>Purpose</u>
\$2,535,000	East Park reconstruction



\$1,600,000

Navy Yard reconstruction

\$520,000

Tonka pressure filter water main relining

3. Other Debt. No other debt has been incurred under those votes.
  4. Consolidated Issue. The Notes constitute a consolidated issue for purposes of G.L. c. 44, §16.
  5. Approval of Sale. We approve the sale of the Notes to Piper Jaffray & Co. (the "Purchaser") at par and accrued interest, if any, plus a premium of \$21,226.80.
- B. Delivery and Receipt. I, the Interim Treasurer, further certify that the Notes were delivered on this date and that the full purchase price including accrued interest for the period, if any, from the date of the Notes to this date was received from the Purchaser on or before this date.
- C. Certification Regarding Official Statement. I, the Interim Treasurer, certify as follows:
- (a) I have reviewed the Preliminary Official Statement dated June 12, 2019 (the "Preliminary Official Statement") and the Official Statement dated June 19, 2019 (the "Official Statement") relating to the sale of the Notes.
  - (b) To the best of my knowledge and belief, the Preliminary Official Statement did not, as of its date and as of the date of sale of the Notes, and the Official Statement (excluding the price or yield on the cover page, as to which no view is expressed) did not as of its date and does not as of this date (which is the date of delivery of the Notes), contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.
  - (c) Since the date of the Official Statement there has been no material adverse change in the financial condition or affairs of the Town except as set forth in or contemplated by the Official Statement.
- D. Debt Limit. I, the Interim Treasurer, certify that at the time of their authorization, the Notes and the bonds in anticipation of which they are issued were and on the date hereof are within every applicable debt and other limit prescribed by law or otherwise.
- E. Certificate of Town Clerk. I, the Town Clerk, certify as follows:
- (a) Signatures and Incumbency. The signatures of the Interim Treasurer and Selectmen as appearing below are the genuine signatures of the persons who executed the Bonds and who held those offices when the Bonds were executed and when the Bonds were delivered. The office of the Treasurer was vacant at the time the Bonds were

executed and when they were delivered, and the Interim Treasurer has been duly appointed to exercise the powers of the Treasurer under G.L. c.41, §40

(b) Open Meeting Law. Except for the town meetings called pursuant to G.L. c.39, §10, all proceedings essential to the issue of the Notes and the authorization of the bonds and deliberations of a quorum relating thereto have been taken at a meeting or meetings open to the public; notice of each such meeting was filed in my office and publicly posted in the time and manner set forth in the General Laws, as amended, in effect at the time of each such meeting (Chapter 39, §23B for proceedings occurring prior to July 1, 2010 and Chapter 30A, §§18-25 for proceedings occurring on or after July 1, 2010) or, if applicable, in accordance with an alternative method of notice prescribed or approved by the Attorney General as set forth in 940 CMR 29.03(2)(b); no deliberations, decision or vote in connection with the Notes or bonds were taken in executive session and no vote was taken by secret ballot; and the official record of each such meeting was made available to the public and remains available to the public as set forth in G.L. c.39, §23B or c.30A, §§18-25, as applicable.

(c) Proceedings. No proceeding essential to the issue of the Notes or bonds has been repealed or amended except as stated in paragraph (1) above and no proceedings have been taken relating to the Notes or bonds other than those certified to Locke Lord LLP.

(d) Bylaws. The bylaws described below are the only bylaws or standing votes of the Town affecting the authorization, sale or issue of the Notes or bonds, including the calling and conduct of town meetings, or the use of assessments or other charges imposed to pay for any project financed by the Notes, and there has been no change therein affecting those matters in any way except as may be indicated below:

Town of Natick By-Laws, Revised Edition, with amendments  
through January 22, 2007, as certified to Locke Lord LLP on  
May 22, 2019.

(e) Home Rule. The Town has not amended its home rule charter adopted March 17, 1980, except for the amendments through March 27, 2012, as certified to Locke Lord LLP on November 9, 2018 and the Town has not amended or repealed any special law relating to the Town through the use of home rule procedures except by adoption of the charter.

(f) No Referendum. No petition for a referendum has been filed with respect to any of the proceedings essential to the issue of the Notes or the bonds.

*[Remainder of page intentionally left blank; signature page follows.]*



F. No Litigation; No Financial Interest. All of the undersigned certify that there has been no litigation affecting the validity of the Notes or bonds or the power of the Town to levy and collect taxes to pay them; that none is pending or to our knowledge threatened; that neither the corporate existence nor boundaries of the Town nor the title of any of us to our respective offices is being contested; and that none of us and, to the best of our knowledge, no other official of the Town has any direct or indirect financial interest in or relationship with the Purchaser.

Date: June 28, 2019  
(Date of delivery of and  
payment for the Notes)

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\_\_\_\_\_  
\_\_\_\_\_  
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Selectmen

\_\_\_\_\_  
Interim Treasurer

\_\_\_\_\_  
Town Clerk

(Town Seal)

(Please Note: The following certificate is an essential part of the permanent record and creates ongoing obligations of the Issuer. Please read it carefully before signing. Advise Locke Lord LLP of any inaccuracy.)

## SIGNIFICANT EVENTS DISCLOSURE CERTIFICATE

This Significant Events Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Town of Natick, Massachusetts (the "Issuer") in connection with the issuance of \$4,655,000 General Obligation Bond Anticipation Notes dated June 28, 2019 (the "Notes"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Notes and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

"Obligated Person" shall mean the Issuer.

"Owners of the Notes" shall mean the registered owners, including beneficial owners, of the Notes.

"Participating Underwriter" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### SECTION 3. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 3, of the occurrence of any of the following events with respect to the Notes:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.



4.     Unscheduled draws on credit enhancements reflecting financial difficulties.
5.     Substitution of credit or liquidity providers, or their failure to perform.
6.     Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes.
7.     Modifications to rights of the Owners of the Notes, if material.
8.     Bond calls, if material, and tender offers.
9.     Defeasances.
10.    Release, substitution or sale of property securing repayment of the Notes, if material.
11.    Rating changes.
12.    Bankruptcy, insolvency, receivership or similar event of the Obligated Person.\*
13.    The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14.    Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15.    Incurrence of a financial obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Obligated Person, any of which affect Owners of the Notes, if material.†

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\* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

† For purposes of event numbers 15 and 16 in Section 3(a) of this Disclosure Certificate, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Obligated Person, any of which reflect financial difficulties.<sup>†</sup>

(b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 4. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 5. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Notes.

SECTION 6. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate the sole remedy under this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount. Any failure by the Issuer to comply with any provision of this Disclosure Certificate shall not constitute a default with respect to the Notes.

SECTION 7. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may also include bond counsel to the Issuer) to the effect that such amendment or waiver would not cause this Disclosure Certificate to violate the Rule.



SECTION 8. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Notes from time to time, and shall create no rights in any other person or entity.

Date: June 28, 2019

TOWN OF NATICK, MASSACHUSETTS

By \_\_\_\_\_  
Interim Treasurer

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\_\_\_\_\_

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\_\_\_\_\_  
Selectmen

## EXHIBIT A

Filing information relating to the Municipal Securities Rulemaking Board is as follows:

Municipal Securities Rulemaking Board

<http://emma.msrb.org>

71694617v.1



Please Note: The following statements are an essential part of the permanent bond record. Read them carefully before signing this certificate. Advise Locke Lord LLP of any inaccuracy.)

## **TAX CERTIFICATE**

This Tax Certificate is executed and delivered by the Town of Natick, Massachusetts ("Issuer"), in connection with the issuance of \$4,655,000 stated principal amount of its General Obligation Bond Anticipation Notes dated the Issue Date ("Issue"). The Issue is issued pursuant to Votes duly adopted by the Issuer and the Massachusetts General Laws. Pursuant to Reg §§ 1.141-2(d)(1) and 1.148-2(b)(2)(i), the Issuer certifies, covenants, warrants and represents as follows in connection with the issuance of the Issue:

### **ARTICLE I. IN GENERAL**

**1.1 Delivery of the Notes of the Issue.** On the Issue Date, in exchange for receipt of good funds, the Issuer is delivering the notes of the Issue to the Successful Bidder, for resale to the Public.

**1.2 Purpose of Tax Certificate.** The Issuer is delivering this Tax Certificate to Bond Counsel, with the understanding that Bond Counsel will rely in part upon this Tax Certificate in rendering its opinion that interest on the Issue is excluded from gross income for federal income tax purposes under Section 103.

**1.3 Definitions and References.** All capitalized terms used in this Tax Certificate include either the singular or the plural. All terms used in this Tax Certificate, including terms specifically defined, shall be interpreted in a manner consistent with Sections 103 and 141-150 and the applicable Regulations thereunder except as otherwise specified. Capitalized terms used and not otherwise defined herein and in the exhibits hereto and in the schedules and attachments to those exhibits shall have the respective meanings set forth in Appendix A and Appendix B hereto. Reference to a Section means a section of the Code. Reference by number only (for example, "2.10") means that numbered paragraph of this Tax Certificate.

**1.4 Purpose of Financing.** The Issue is being issued to provide funds (i) to finance on a "new money" basis the capital costs of certain municipal projects as more fully described in the Signature Certificate, including the payment of Capitalized Interest, if any ("Projects") and Funded Interest, if any, and (ii) to pay Issuance Costs and other common costs of the Issue.

**1.5 Single Issue.** The notes of the Issue were sold to the Successful Bidder on the Sale Date. No other governmental obligations of the Issuer which are expected to be paid out of substantially the same source of funds as the Issue have been or will be sold within the 31-day period beginning 15 days before the Sale Date pursuant to the same plan of financing as the Issue.

**1.6 Reliance.** With respect to certain matters contained in this Tax Certificate, the Issuer specifically relies upon the certifications of the Successful Bidder set forth in Exhibit A, the certifications of the Municipal Advisor set forth in Exhibit B, and upon the certifications set

forth in the other exhibits attached hereto or as otherwise described herein. The Issuer is not aware of any facts or circumstances that would cause it to question the accuracy or reasonableness of any representation made in this Tax Certificate including the exhibits hereto.

## ARTICLE II. GENERAL TAX LIMITATIONS

**2.1 Application of Sale Proceeds and Certain Other Moneys.** On the Issue Date, the Sale Proceeds, \$4,677,344.00, less an underwriter's discount of \$1,117.20, will be deposited to the General Fund and applied as follows:

Projects	\$4,655,000.00
Issuance Costs	13,890.00
Payment of a portion of the interest on the Issue due February 21, 2020	<u>7,336.80</u>
TOTAL:	\$4,676,226.80

Investment Proceeds earned on the amounts in the General Fund will be commingled with substantial tax and other revenues of the Issuer, and are expected to be expended for operating or other expenses of the Issuer within six months after deposit of the Investment Proceeds therein. Pursuant to Reg § 1.148-6(d)(6), all such Investment Proceeds will be treated as expended when so commingled.

**2.2 Expenditure of Gross Proceeds.** For purposes of this Tax Certificate, Sale Proceeds and, to the extent not deemed expended as described in 2.1, Investment Proceeds will be treated as spent when they are used to pay or reimburse disbursements by the Issuer that are (i) capital expenditures, including any Capitalized Interest, if any and to the extent allowable, (ii) Issuance Costs, (iii) Funded Interest, (iv) initial operating expenses directly associated with the Projects (in aggregate amount not exceeding 5% of the Sale Proceeds), or (v) other miscellaneous expenditures described in Reg § 1.148-6(d)(3)(ii).

The Issuer hereby certifies that no disbursement to be paid or reimbursed from Gross Proceeds shall have been previously paid or reimbursed from the proceeds of any other obligation, whether issued by the Issuer or any other party.

To the extent that Sale Proceeds will be applied to reimburse expenditures made by the Issuer prior to the Issue Date, the Issuer hereby certifies that such expenditures either (i) constitute capital expenditures incurred not earlier than 60 days prior to the applicable Vote, which Votes constitute the Issuer's declarations of official intent to issue debt to finance the costs of the Projects, or (ii) constitute Preliminary Expenditures to the extent permitted by Massachusetts law.

The Issuer further certifies that any such reimbursement described in clause (i) of the preceding sentence shall be made no later than the later of 18 months after the date of the expenditure or the date on which the Project component to which such expenditure relates is placed in service, but in no event later than 3 years after the date of such expenditure.

**2.3 Governmental Bond Status.** Absent an Opinion of Bond Counsel, the Issuer will not loan more than 5% of the Proceeds to one or more Nongovernmental Persons. Absent



an Opinion of Bond Counsel, the Issuer has not allowed and will not allow more than 10% of the Proceeds or the Projects to be used directly or indirectly by any Nongovernmental Person in any trade or business, other than as a member of the general public, and has not allowed and will not allow more than 5% of the Proceeds or Projects to be so used to the extent such use is unrelated or disproportionate to the governmental uses thereof. Absent an Opinion of Bond Counsel, for purposes of this 2.3, a Nongovernmental Person will be treated as “using” Proceeds or the Projects to the extent the Nongovernmental Person:

- (i) borrows Proceeds of the Issue;
- (ii) uses any portion of the Projects as owner, lessee, service provider, operator, or manager;
- (iii) acquires the output of the Projects; or
- (iv) enters into any other arrangement that provides a special legal entitlement or special economic benefit to a Nongovernmental Person.

As of the Issue Date, the Issuer certifies that there are no contracts or other arrangements for any such use of any component of the Projects by any party other than a Governmental Unit. Absent an Opinion of Bond Counsel, the Issuer will not enter into any contract or other arrangement after the Issue Date for any such use of any component of the Projects by any party other than a Governmental Unit.

**2.4 Qualified Equity.** The Issuer reasonably expects that a portion of the cost of the Projects being financed and/or refinanced in part with the Sale Proceeds may be paid from Qualified Equity. The Issuer intends that the undivided portion or portions of any of the Projects paid with Qualified Equity may be used for Private Business Use without restriction. Qualified Equity will be allocated to any Private Business Use of the Projects before any Proceeds are allocated to any such Private Business Use. To the extent that Private Business Use of the Projects ever exceeds the applicable limitation under the “private business tests” imposed pursuant to Section 141(b), the Issuer hereby allocates Qualified Equity to the Projects. In addition, the Issuer reserves the right to allocate this Qualified Equity to the Projects if and as needed in the future.

**2.5 Change in Use.** The Issuer reasonably expects to use all Proceeds and all facilities that are financed and refinanced therewith as set forth in 2.3 of this Tax Certificate for the entire stated term to maturity of the Issue. Absent an Opinion of Bond Counsel, the Issuer in fact will use all Proceeds and each facility financed and refinanced therewith as set forth in 2.3 of this Tax Certificate.

**2.6 Registered Form.** The notes of the Issue are being issued in registered form.

**2.7 Federal Guarantee.** The Issuer will not directly or indirectly use or permit the use of any Proceeds or any other funds of the Issuer or any related party or take or omit to take any action that would cause the notes of the Issue to be obligations that are “federally guaranteed.” In furtherance of this covenant, the Issuer will not allow the payment of principal or interest with respect to the Issue to be guaranteed (directly or indirectly) in whole or in part by

the United States or any agency or instrumentality thereof. Except as provided in the next sentence, the Issuer will not use 5% or more of the Proceeds to make or finance loans the payment of principal or interest with respect to which is guaranteed in whole or in part by the United States or any agency or instrumentality thereof, nor will it invest 5% or more of the Proceeds in federally insured deposits or accounts. The preceding sentence shall not apply to (i) investments in the portions of the General Fund described in 3.5 during the temporary period described therein, (ii) investments in the Bona Fide Debt Service Fund, and (iii) investments in obligations issued by the United States Department of Treasury.

**2.8 Information Reporting.** The Issuer will cause a properly completed and executed IRS Form 8038-G to be filed with respect to the Issue no later than the 15th day of the second month of the calendar quarter immediately following the calendar quarter of the Issue Date.

**2.9 No Pooling.** The Issuer will not use any Proceeds directly or indirectly to make or finance loans to two or more ultimate borrowers.

**2.10 No Hedge Bonds.** The Issuer reasonably expects that more than 85% of Net Sale Proceeds of the Issue will be expended for the governmental purposes thereof within three years after the Issue Date. Not more than 50% of the Proceeds will be invested at a substantially guaranteed yield for four years or more.

**2.11 Useful Life.** The weighted average maturity of the Issue is 0.647 years, which does not exceed 120% of the remaining average reasonably expected economic life of the assets comprising the Projects.

### **ARTICLE III. ARBITRAGE GENERAL**

**3.1 Reasonable Expectations.** This Article III states the Issuer's reasonable expectations with respect to the amounts and uses of Proceeds and certain other moneys.

**3.2 Issue Price of the Issue.** On the Issue Date, the Issuer is delivering the notes of the Issue to the Successful Bidder in exchange for an aggregate payment of \$4,676,226.80 (which represents the total amount of Sale Proceeds, \$4,677,344.00, less an underwriter's discount of \$1,117.20). As reflected in Exhibit B, the Municipal Advisor has certified that the competitive sale requirements (as defined in the Notice of Sale) were met with respect to the notes of the Issue. Accordingly, based on the advice of the Successful Bidder as set forth in Exhibit A, the Issue Price of the Issue is \$4,677,344.00, which is the reasonably expected initial offering price to the Public for the notes of the Issue.

**3.3 Funds and Accounts.** The Issuer will use certain portions of its General Fund (or accounts or subaccounts within the General Fund) to hold certain of the Proceeds, as more particularly described in this Article III. The Issuer does not expect that either it or any other person benefiting from the issuance of the Issue will use any moneys in any fund or account other than the Bona Fide Debt Service Fund to pay debt service on the Issue; nor is any other fund or account so pledged as security for the Issue that there is a reasonable assurance that amounts held in such other fund or account will be available if needed to pay debt service on the Issue.



### **3.4 Bona Fide Debt Service Fund.**

**3.4.1 Payment of the Issue.** The notes of the Issue are general obligations of the Issuer payable from revenues available therefor pursuant to the Massachusetts General Laws, from a portion of the Sale Proceeds and Investment Proceeds, and from the proceeds of future issues of bond anticipation notes or longer-term obligations.

**3.4.2 Revenues.** Except for the debt service to be paid from a portion of the Sale Proceeds, Investment Proceeds, and the proceeds of future issues of bond anticipation notes or longer term obligations, payments of debt service on the Issue are expected to be derived from current revenues of the Issuer and current revenues are expected to equal or exceed such amount of debt service on the Issue during the payment period.

**3.4.3 Match Between Revenues and Debt Service.** The portions of the Issuer's General Fund that are reasonably expected to be used to pay debt service on the Issue (such portions of the Issuer's General Fund being referred to herein as the "Debt Service Fund") will be allocated to the payment of debt service on the Issue on a "first in, first out" (FiFo) basis. Accordingly, the Debt Service Fund will be used primarily to achieve a proper matching of revenues and debt service within the Bond Year. Amounts in the Debt Service Fund will be invested without regard to yield.

**3.5 Three-Year Temporary Period.** A portion of the Sale Proceeds in the amount of \$4,655,000.00, will be deposited in the General Fund for the purpose of paying costs of the Projects. The Issuer's expenditure expectations with respect to the Proceeds allocable to the Projects are reflected in Exhibit C. The Issuer reasonably expects that at least 85% of the Net Sale Proceeds will be spent to pay costs of the Projects within three years from the Issue Date. The Issuer heretofore has incurred or within six months hereafter will incur a binding obligation to one or more unrelated parties involving an expenditure of not less than 5% of Net Sale Proceeds. Completion of the Projects and allocations of Net Sale Proceeds and Investment Proceeds to costs of the Projects will proceed with due diligence. Net Sale Proceeds allocable to paying costs of the Projects held in the General Fund, and Investment Proceeds earned thereon, will be invested without regard to yield during the period ending on the third anniversary of the Issue Date.

**3.6 No Overissuance.** Taking into account anticipated Investment Proceeds, the Sale Proceeds do not exceed the amount necessary to pay (i) costs of the Projects, (ii) Funded Interest, if applicable, and (iii) Issuance Costs and other common costs of the Issue.

**3.7 No Other Replacement Proceeds.** Neither the Issuer nor any related person will use any Gross Proceeds directly or indirectly to replace funds of the Issuer or any related person, which funds are or will be used directly or indirectly to acquire Investment Property reasonably expected to produce a yield that is materially higher than the Yield on the Issue.

**3.8 No Expected Sale.** It is not expected that the Projects or any part thereof financed and/or refinanced in whole or in part by the Issue will be sold or otherwise disposed of before February 21, 2020, the scheduled final maturity date of the Issue, except for minor portions due to normal wear or obsolescence.



## ARTICLE IV. ARBITRAGE - YIELD AND YIELD RESTRICTION

**4.1 Yield.** The Yield on the Issue, adjusted as may be required for substantial original issue premium or discount, has been calculated by the Municipal Advisor to be 1.4995113%, as reflected in Exhibit B.

**4.2 No Qualified Hedges.** No Qualified Hedge has been, and (absent an Opinion of Bond Counsel) no Qualified Hedge will be, entered into such that failure to take the Qualified Hedge into account would distort the Yield on the Issue or otherwise would fail clearly to reflect the economic substance of the transaction.

**4.3 Yield Restriction.** Absent an Opinion of Bond Counsel, if the sum of (A) any Proceeds allocable to the payment of the Projects held in the General Fund after the third anniversary of the Issue Date, or, if applicable, the Issue Date of any Original Issue, plus (B) any amounts held in the Bona Fide Debt Service Fund and remaining unexpended after 13 months from the date of accumulation in such fund (excluding any amounts held for Capitalized Interest and Funded Interest), plus, if applicable, (C) any Proceeds allocable to the retirement of any Refunded Bonds and Refunded Notes held in the General Fund after 90 days from the Issue Date, plus, if applicable, (D) any Transferred Proceeds held in the General Fund after the third anniversary of any Original Issue, plus (E) any Proceeds held in the Issuer's General Fund to pay Issuance Costs after 90 days from the Issue Date, at any time in the aggregate exceeds \$100,000, the excess will be invested as follows: (i) in Investment Property with a yield not exceeding the Yield on the Issue, or such other issue of Tax-Exempt Bonds to which such amounts are then allocated as proceeds, (ii) in assets that are not treated as Investment Property (e.g., Tax-Exempt Bonds), or (iii) in assets that satisfy the requirements for Yield Reduction Payments.

## ARTICLE V. REBATE

**5.1 Undertakings.** The Issuer hereby covenants to comply with requirements of the Code pertaining to the Rebate Requirement. The Issuer acknowledges that the United States Department of the Treasury has issued Regulations with respect to certain of these undertakings, including the proper method for computing whether any rebate amount is due the federal government under Section 148(f). (Reg §§ 1.148-1 through 1.148-11A, 1.150-1, and 1.150-2.) The Issuer further acknowledges that the United States Department of the Treasury may yet issue additional Regulations with respect to certain of these undertakings. The Issuer covenants that it will undertake to determine what is required with respect to the rebate provisions contained in Section 148(f) and said Regulations from time to time and will comply with any requirements that may apply to the Issue.

**5.2 Recordkeeping.** The Issuer shall maintain or cause to be maintained detailed records with respect to each Nonpurpose Investment allocable to Gross Proceeds, including: (a) purchase date; (b) purchase price; (c) information establishing fair market value on the date such investment became a Nonpurpose Investment; (d) any accrued interest paid; (e) face amount; (f) coupon rate; (g) periodicity of interest payments; (h) disposition price; (i) any accrued interest received; and (j) disposition date. Such detailed recordkeeping is required to facilitate the calculation of the Rebate Requirement.



### **5.3 Exceptions to the Rebate Requirement.**

**5.3.1 Bona Fide Debt Service Fund Exception.** Based on the representations set forth in 3.4.3 and this 5.3.1, no rebate calculations need be made in respect of amounts in the Bona Fide Debt Service Fund (i) if (a) the weighted average maturity of the Issue is longer than 5 years and (b) the Issue is a Fixed Yield Issue or (ii) if clause (i) does not apply, to the extent the earnings thereon in the Bond Year are less than \$100,000.

**5.3.2 Six-Month Expenditure Exception.** If applicable, no rebate calculations will be required to be made with respect to the Adjusted Gross Proceeds allocable to the Refunding Portion if all such Adjusted Gross Proceeds are expended within six months of the Issue Date.

**5.3.3 Eighteen Month Spending Exception.** In general, when applicable, no rebate calculations will be required with respect to Adjusted Gross Proceeds if the Eighteen Month Spending Exception is met. The Issuer's spending expectations with respect to the Adjusted Gross Proceeds are included in Exhibit C.

**5.3.4 Two Year Spending Exception.** The Issuer reasonably expects that at least 75% of Available Construction Proceeds will be expended for Construction Expenditures with respect to the Projects. The Issuer's spending expectations with respect to the Proceeds allocable to the New Money Projects or the Projects, as applicable, are reflected in Exhibit C. In general, when applicable, no rebate calculations will be required with respect to Available Construction Proceeds if Available Construction Proceeds are spent in accordance with the Two Year Spending Exception. Additionally, Proceeds of the Issue that are used to pay Issuance Costs will be treated, together with all Investment Proceeds thereon, as satisfying the Rebate Requirement if the Two Year Spending Exception is satisfied and all such Issuance Costs are paid within twenty-four months after the Issue Date.

**5.4 Rebate Requirement or Yield Reduction Payments with Respect to the Issue.** The Issuer covenants to, and will, pay any Rebate Requirement or Yield Reduction Payments due with respect to the Issue within 60 days from the maturity date of the Issue or, if later, within 60 days of missing one of the spending milestones set forth in 5.3, as required by Section 148(f)(3).

## **ARTICLE VI. OTHER MATTERS**

**6.1 Expectations.** The undersigned are authorized representatives of the Issuer acting for and on behalf of the Issuer in executing this Tax Certificate. To the best of the knowledge and belief of the undersigned, there are no other facts, estimates or circumstances that would materially change the expectations as set forth herein, and said expectations are reasonable.

**6.2 Covenant to Comply.** The Issuer hereby covenants that it will not take or permit to be taken on its behalf any action or actions that would adversely affect the exclusion from federal income taxation of interest on the Issue and will take or require to be taken such acts as may reasonably be within its ability and as may from time to time be required under applicable law to maintain the exclusion from federal income taxation of interest on the Issue.

**6.3 Post Issuance Compliance Procedures.** The Issuer has written procedures to monitor compliance with the arbitrage Yield restriction and rebate requirements of Section 148 after the Issue Date. The Issuer also has written procedures to ensure that all Nonqualified Bonds are remediated in accordance with Reg § 1.141-12. Such procedures are substantially in the form attached hereto as Appendix C. The Issuer will monitor the expenditure of Gross Proceeds and the use of facilities financed and/or refinanced by the Issue, and will undertake, if necessary, any available measures under Reg § 1.141-12 to ensure compliance after the Issue Date with the applicable covenants contained herein.

**6.4 Record Retention.** In order to ensure that interest on the Issue continues to be excluded from gross income for federal tax law purposes, the Issuer acknowledges that records should be maintained to support the representations, certifications, and expectations set forth in this Tax Certificate (including the exhibits hereto) at least until the date three (3) years after the later of (a) the date on which the Issue is retired, or (b) the date on which the last of the Refunding Obligations is retired. In addition to the items described in 5.2, records to be retained include, but are not limited to:

(i) basic records and documents relating to the Issue, and, when applicable, the Prior Issues and any Qualified Equity relating to the Projects;

(ii) documentation evidencing the expenditure of the Proceeds and, when applicable, Proceeds of the Prior Issues;

(iii) documentation evidencing the use of the Projects or any component thereof by public and private sources (i.e., copies of management contracts, research agreements, leases, etc.);

(iv) documentation evidencing all sources of payment or security for the Issue and, when applicable, the Prior Issues;

(v) documentation evidencing compliance with the timing and allocation of expenditures of the Proceeds, and, when applicable, Proceeds of the Prior Issues and any Qualified Equity relating to the Projects; and

(vi) records of all amounts paid to the United States in satisfaction of the Rebate Requirement for the Issue and IRS Forms 8038-T (or successor forms thereto) related to such payments or to Yield Reduction Payments.

**6.5 Amendments.** Notwithstanding any other provision of this Tax Certificate, the Issuer may amend this Tax Certificate and thereby alter any actions allowed or required by this Tax Certificate if such amendment is signed by an authorized officer and is supported by an Opinion of Bond Counsel.

*[Remainder of page intentionally left blank; signature page follows.]*

**6.6 Survival of Payment or Defeasance.** Notwithstanding any provision in this Tax Certificate or in any other agreement or instrument relating to the Issue to the contrary, the obligation to remit the Rebate Requirement, if any, to the United States Department of the Treasury and to comply with all other requirements contained in this Tax Certificate shall survive payment or defeasance of the Issue.

Dated: June 28, 2019

TOWN OF NATICK, MASSACHUSETTS

By: \_\_\_\_\_  
Treasurer

By: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Selectmen



## APPENDIX A GENERAL DEFINITIONS

For purposes of the Tax Certificate to which this Appendix A is attached, and the exhibits to the Tax Certificate and any schedules or attachments to those exhibits, the following capitalized terms have the following meanings:

***Adjusted Gross Proceeds*** generally means Gross Proceeds, less amounts held in the Bona Fide Debt Service Fund.

***Available Construction Proceeds*** has the meaning set forth in Reg § 1.148-7(i) and generally means all Sale Proceeds reduced by Issuance Costs or, if applicable, all Sale Proceeds allocable to the Nonrefunding Portion, reduced by Issuance Costs allocable to the Nonrefunding Portion financed with Sale Proceeds, plus all Investment Proceeds earned thereon before the earlier of two years after the Issue Date or substantial completion of the New Money Projects or Projects, as applicable. In determining the amount of Available Construction Proceeds as of any date, there shall be included the amount of investment earnings reasonably expected after such date, together with investment earnings actually received or accrued as of such date.

***Bona Fide Debt Service Fund*** has the meaning set forth in Reg § 1.148-1(b) and generally means the Debt Service Fund identified in 3.4.3.

***Bond Counsel*** means Locke Lord LLP or, if applicable, another law firm with a nationally recognized public finance practice.

***Bond Notice of Sale*** means, when applicable, the separate Notice of Sale for the bonds of the Issue.

***Bond Purchaser*** means, when applicable, an entity that purchases the bonds of the Issue, or, when applicable, a Prior Issue, for its own account without a present intent to resell.

***Capitalized Interest*** means interest on the Issue, or, when applicable, a Prior Issue, from the Issue Date to the placed in service date of the Projects, that is properly capitalized in the cost of the Projects under general federal income tax principles.

***Code*** means the Internal Revenue Code of 1986, as amended.

***Construction Expenditures*** has the meaning set forth in Reg § 1.148-7(g)(1) and generally means capital expenditures that are allocable to the cost of real property or constructed personal property and includes costs of reconstruction and rehabilitation, but does not include costs of acquiring any interest in land or other existing real or personal property.

***Debt Service Fund*** means the Debt Service Fund described in Article III.

***Deliberate Action*** has the meaning set forth in Reg § 1.141-2(d)(3) and generally means any action taken by the Issuer that is within its control, but excludes (i) an involuntary or

compulsory conversion under Section 1033 or (ii) an action taken in response to a regulatory directive made by the federal government.

***Eighteen Month Spending Exception*** has the meaning set forth in Reg § 1.148-7(d) and generally means Adjusted Gross Proceeds are spent at least as quickly as follows:

15% within six months after the Issue Date

60% within twelve months after the Issue Date

100% within eighteen months after the Issue Date

The requirement that 100% of Adjusted Gross Proceeds be spent within eighteen months after the Issue Date will be met if at least 95% of Adjusted Gross Proceeds is spent within eighteen months and the remainder is held as a Reasonable Retainage, as permitted by contracts with the Issuer's contractors, and such remainder is spent within thirty months after the Issue Date.

***Fixed Yield Bond*** has the meaning set forth in Reg § 1.148-1(b) and generally means any bond whose yield is fixed and determinable on its Issue Date.

***Fixed Yield Issue*** has the meaning set forth in Reg § 1.148-1(b) and generally means any issue of which each bond of the issue is a Fixed Yield Bond.

***Funded Interest*** means interest on the Issue, or, when applicable, a Prior Issue, other than Capitalized Interest, through the later of three years after the Issue Date or one year after the first component of the Projects is placed in service as set forth in Reg § 1.148-6(d)(3)(ii)(A)(3).

***General Rule Maturities*** means, when applicable, those Maturities listed in Schedule A to the Issue Price Certificate attached to this Tax Certificate as the general rule maturities.

***Governmental Person*** has the meaning set forth in Reg § 1.141-1(b) and generally means a Governmental Unit.

***Governmental Unit*** means a State or Local Governmental Unit.

***Gross Proceeds*** has the meaning set forth in Reg § 1.148-1(b) and generally means all proceeds derived from or relating to the Issue, or, when applicable, a Prior Issue, including Proceeds and Replacement Proceeds.

***Guidelines*** means Reg § 1.141-3(b)(4) and Revenue Procedure 2017-13 or any applicable predecessor or successor thereto.

***Hold-the-Offering-Price Maturities*** means, when applicable, those Maturities listed in Schedule A to the Issue Price Certificate attached to this Tax Certificate as the hold-the-offering-price maturities.

***Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after



the Sale Date, or (ii) the date on which the Successful Bidder/Successful Bond Bidder/Successful Note Bidder sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the initial offering price for such Hold-the-Offering-Price Maturity.

**Investment Proceeds** has the meaning set forth in Reg § 1.148-1(b) and generally means earnings received from investing and reinvesting Proceeds and from investing and reinvesting such earnings.

**Investment Property** has the meaning set forth in Section 148(b)(2) and generally means any security or obligation, any annuity contract, or any other investment-type property, but does not include any Tax-Exempt Bond.

**Issuance Costs** has the meaning set forth in Reg § 1.150-1(b) and generally means costs, to the extent incurred in connection with, and allocable to, the issuance of the Issue within the meaning of Section 147(g), and includes: underwriters' spread; counsel fees; financial advisory fees; credit rating fees; trustee fees; paying agent fees; bond registrar, certification, and authentication fees; accounting fees; printing costs; public approval process costs; engineering and feasibility study costs; and similar costs.

**Issue Date** has the meaning set forth in Reg § 1.150-1(b) and generally means the date the Issue, or, when applicable, a Prior Issue, was delivered to the Underwriter or Purchaser thereof and payment was received therefor.

**Issue Price** has the meaning set forth in Reg § 1.148-1(f) and generally means (i) the Expected Offering Price of a Successful Bidder/Successful Bond Bidder/Successful Note Bidder, (ii) the amount paid by the Purchaser for the Issue, the notes of the Issue, and/or the bonds of the Issue, and/or (iii) the price at which at least 10% of each maturity of the General Rule Maturities were sold by the Successful Bidder/Successful Bond Bidder/Successful Note Bidder, all as set forth in Exhibit A, or, when applicable, the sum of the applicable clauses above.

**Maturity** means bonds and/or notes of the Issue with the same credit and payment terms. Bonds and/or notes of the Issue with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate maturities.

**Minor Portion** has the meaning set forth in Section 148(e) and generally means any amount of Gross Proceeds that does not exceed the lesser of (i) 5% of the Proceeds or (ii) \$100,000.

**Net Sale Proceeds** has the meaning set forth in Reg § 1.148-1(b) and generally means the Sale Proceeds allocable to the Nonrefunding Portion, less the portion of those Sale Proceeds invested in a reasonably required reserve or replacement fund pursuant to Section 148(d) or as part of the Minor Portion.

**Nongovernmental Person** means a natural person or any artificial person, including a corporation, partnership, trust or other entity, other than a Governmental Person. Nongovernmental Person includes the United States and any agency or instrumentality of the United States.



***Nonpurpose Investment*** means any Investment Property in which Gross Proceeds are invested that is not a Purpose Investment.

***Nonqualified Bonds*** has the meaning set forth in Reg § 1.141-12(j) and generally means the portion of outstanding bonds of an Issue that, as of the date of a Deliberate Action, would not meet the private business use test in Section 141(b) or the private loan financing test in Section 141(c).

***Nonrefunding Portion*** means, when applicable, the portion of the Issue or the Prior Issue, as applicable, that is not allocable to the Refunding Portion.

***Note Notice of Sale*** means, when applicable, the separate Notice of Sale for the notes of the Issue.

***Note Purchaser*** means, when applicable, an entity that purchases the notes of the Issue, or, when applicable, a Prior Issue, for its own account without a present intent to resell.

***Notice of Sale*** means the Notice of Sale, or, when applicable, collectively the Bond Notice of Sale and Note Notice of Sale, attached as Attachment 1 to Exhibit B.

***Opinion of Bond Counsel*** means a written opinion of nationally recognized bond counsel, delivered to the Issuer, to the effect that the exclusion from gross income for federal income tax purposes of interest on the Issue will not be adversely affected.

***Original Issues*** means, when applicable, collectively, the portions of the Refunded Bonds and/or Refunded Notes and the issues that were issued to finance the Projects on a “new money” basis and any other obligations all or a portion of which were issued to finance the Projects on a new money basis which have been ultimately refinanced by this Issue.

***Preliminary Expenditures*** has the meaning set forth in Reg § 1.150-2(f)(2) and generally means architectural, engineering, surveying, soil testing, Issuance Costs, including, when applicable, Issuance Costs allocable to the Nonrefunding Portion, and similar costs paid with respect to the Projects in an aggregate amount not exceeding 20% of the Issue Price of the Issue, or, when applicable, the Issue Price of the Issue allocable to the Nonrefunding Portion. However, Preliminary Expenditures do not include land acquisition, site preparation or similar costs incident to the commencement of construction.

***Prior Issue(s)*** means, when applicable, individually or collectively, the Original Issues and each series of exclusively current refunding obligations all or a portion of which were thereafter issued to refinance the Original Issues.

***Private Business Use*** has the meaning set forth in Reg § 1.141-3(a) and generally means use (directly or indirectly) in a trade or business carried on by any Nongovernmental Person other than use (i) as a member of, and on the same basis as, the general public or (ii) pursuant to the Guidelines or the Research Guidelines. Any activity carried on by a Nongovernmental Person (other than a natural person) shall be treated as a trade or business.

**Proceeds** has the meaning set forth in Reg § 1.148-1(b) and generally means Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Issue or, when applicable, a Prior Issue.

**Public** has the meaning set forth in Reg § 1.148-1(f)(3)(ii) and generally means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

**Purchaser** means, when applicable, an entity, including a Successful Bidder, that purchases the Issue, or, when applicable, a Prior Issue, for its own account without a present intent to resell.

**Purpose Investment** has the meaning set forth in Reg § 1.148-1(b) and generally means an investment that is acquired by the Issuer to carry out the governmental purpose of the Issue.

**Qualified Equity** has the meaning set forth in Reg § 1.141-6(b)(3) and generally means funds that are not derived from proceeds of a Tax-Advantaged Bond.

**Qualified Guarantee** has the meaning set forth in Reg § 1.148-4(f) and generally means an arrangement that imposes a secondary liability that unconditionally shifts substantially all of the credit risk for all or part of the payments on the Issue to the guarantor under that arrangement.

**Qualified Hedge** has the meaning set forth in Reg § 1.148-4(h) and generally means a contract entered into by the Issuer with a hedge provider primarily to modify the Issuer’s risk of interest rate changes with respect to all or a part of the Issue.

**Reasonable Retainage** has the meaning set forth in Reg § 1.148-7(h) and generally means an amount, not to exceed 5% of Available Construction Proceeds or Adjustable Gross Proceeds, as applicable, on the date 24 months, or 18 months, as applicable, after the Issue Date, that is retained for reasonable business purposes relating to the Projects, including to ensure or promote compliance with a construction contract.

**Rebate Requirement** means the amount of rebatable arbitrage with respect to the Issue, computed as of the last day of any Bond Year pursuant to Reg § 1.148-3.

**Refunded Bonds** means, when applicable, all or the portion of each of the series of bonds being refunded by the Issue, as identified in Appendix B.

**Refunded Notes** means, when applicable, all or the portion of each of the series of notes being refunded by the Issue, as identified in Appendix B.

**Refunding Obligations** means a Tax-Advantaged Bond issued to refund any portion of the Issue, including any subsequent Tax-Advantaged Bond in a series of refundings thereof.



***Refunding Portion*** means, when applicable, the portion of the Issue allocable to the refunding of the Refunded Bonds and/or Refunded Notes, together with the portion of the Issue allocable to the financing of a ratable share of Issuance Costs and other common costs of the Issue.

***Regulations or Reg*** means the applicable Treasury Regulations promulgated by the Secretary of the Treasury of the United States under the Code.

***Replacement Proceeds*** has the meaning set forth in Reg § 1.148-1(c) and generally means amounts that have a sufficiently direct nexus to the Issue or to the governmental purpose of the Issue to conclude that the amounts would have been used for that governmental purpose if the Proceeds of the Issue were not used, and includes a sinking fund, a pledged fund, and other replacement proceeds, each as defined in Reg § 1.148-1(c).

***Research Guidelines*** means Reg § 1.141-3(b)(6) and Revenue Procedure 2007-47 or any applicable successor thereto.

***Sale Date*** has the meaning set forth in Reg § 1.150-1(c)(6) and generally means the first day on which there is a binding contract in writing for the sale of a Maturity.

***Sale Proceeds*** has the meaning set forth in Reg § 1.148-1(b) and generally means amounts actually or constructively received from the sale of the Issue, or, when applicable, a Prior Issue.

***Signature Certificate*** means the Signature, No Litigation and Official Statement Certificate or similar certificate prepared by Bond Counsel relating to the Issue or, when applicable, a Prior Issue.

***Small Issuer Exception*** has the meaning set forth in Reg § 1.148-8(a) and generally means that, as of the Issue Date, the Issuer reasonably expects that the aggregate Issue Price of tax-exempt bonds (other than (a) current refunding bonds to the extent the amount thereof does not exceed the outstanding amount of the obligations to be refunded thereby and (b) qualified private activity bonds) issued and to be issued by or on behalf of the Issuer during the current calendar year will not exceed \$5,000,000 except by the lesser of (i) \$10,000,000 or (ii) the aggregate face amount of bonds, in either case attributable to financing the construction of public school facilities, as provided in Section 148(f)(4)(D)(vii). In addition, the Issuer must have the power to impose or to cause the imposition of taxes of general applicability which, when collected, may be used for the general purposes of the Issuer. The Issuer's power to impose or cause the imposition of such taxes cannot be contingent on approval by any other Governmental Unit. The Issuer cannot form or avail itself of an entity for the purpose of avoiding the volume limitation described above.

***State or Local Governmental Unit*** has the meaning set forth in Reg § 1.103-1(a) and is generally a state or any political subdivision of a State, but excludes the United States and its agencies or instrumentalities.

***Successful Bidder(s)*** means, when applicable, the Successful Bidder(s) set forth in Appendix B.

**Successful Bond Bidder** means, when applicable, the Successful Bond Bidder set forth in Appendix B.

**Successful Note Bidder** means, when applicable, the Successful Note Bidder set forth in Appendix B.

**Tax-Advantaged Bond** has the meaning set forth in Reg § 1.150-1(b) and generally means a tax-exempt bond or a taxable bond that provides a federal tax benefit that reduces the Issuer's borrowing costs.

**Tax Certificate** means the Tax Certificate to which this Appendix A is attached.

**Tax-Exempt Bond** means any obligation the interest on which is excluded from gross income for federal income tax purposes pursuant to Section 103, other than a "specified private activity bond" within the meaning of Section 57(a)(5)(C), as well as (i) stock in a "regulated investment company" (within the meaning of Section 852) to the extent at least 95 percent of income to the stockholder is treated as interest on Tax-Exempt Bonds and (ii) any demand deposit obligation issued by the United States Department of the Treasury pursuant to Subpart C of 31 CFR Part 344.

**Transferred Proceeds** has the meaning set forth in Reg § 1.148-9(b) and generally means Proceeds of a Prior Issue that become Proceeds of the Issue under the transferred proceeds allocation rule in Reg § 1.148-9(b).

**Two Year Spending Exception** has the meaning set forth in Reg § 1.148-7(e) and generally means Available Construction Expenditures are expended at least as quickly as follows:

10% within six months after the Issue Date

45% within twelve months after the Issue Date

75% within eighteen months after the Issue Date

100% within twenty-four months after the Issue Date

The requirement that 100% of Available Construction Proceeds be spent within twenty-four months after the Issue Date will be met if at least 95% of Available Construction Proceeds is spent within twenty-four months and the remainder is held as Reasonable Retainage, as permitted by contracts with the Issuer's contractors, and such remainder is spent within thirty-six months after the Issue Date.

**Underwriter** means (i) any person, including, when applicable, a Successful Bidder/Successful Bond Bidder/Successful Note Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the bonds and/or notes of the Issue, or, when applicable, a Prior Issue, to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale



of such bonds and/or notes of the Issue, or, when applicable, a Prior Issue, to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of such bonds and/or notes of the Issue, or, when applicable, a Prior Issue, to the Public).

***Votes*** means the authorizations for the Issue specified in the Signature Certificate.

***Yield*** has the meaning set forth in Reg § 1.148-4 for an issue and Reg § 1.148-5 for investments, and generally means, as to the Issue, or, when applicable, a Prior Issue, or Investment Property, as applicable, that discount rate which, when used in computing the present value of all unconditionally payable payments representing (i) principal, adjusted, as required, for any substantial discounts or premiums, (ii) interest, including costs of Qualified Guarantees, (iii) payments or receipts on Qualified Hedges, produces an amount equal to the Issue Price of the Issue, or, when applicable, a Prior Issue, or the purchase price of Investment Property, as appropriate.

***Yield Reduction Payment*** means a “qualified yield reduction payment” to the United States Department of the Treasury that reduces the yield on Investment Property, as set forth in Reg § 1.148-5(c).

## **APPENDIX B**

### **ISSUE SPECIFIC DEFINITIONS**

For purposes of the Tax Certificate to which this Appendix B is attached, and the exhibits to the Tax Certificate and any schedules or attachments to those exhibits, the following capitalized terms have the following meanings:

***Bond Year*** means the period beginning on the Issue Date and ending on February 21, 2020, which is the last day on which any notes of the Issue will remain outstanding for federal tax purposes.

***Issue Date*** means, as to the Issue, the date of this Tax Certificate, June 28, 2019.

***Municipal Advisor*** means Hilltop Securities Inc., as municipal advisor to the Issuer in connection with the Issue.

***Sale Date*** of the Issue is June 19, 2019.

***Sale Proceeds*** means as to the Issue, the amount of \$4,677,344.00, comprising the stated principal amount of the Issue (\$4,655,000), plus original issue premium thereon in the amount of \$22,344.00.

***Successful Bidder*** means Piper Jaffray & Co.



**APPENDIX C**  
**POST-ISSUANCE TAX COMPLIANCE PROCEDURES**  
**TAX-EXEMPT OBLIGATIONS AND OTHER TAX-BENEFITED OBLIGATIONS**

**I. Introduction**

These post-issuance compliance procedures of the Issuer are designed to provide for the effective management of the Issuer's post issuance compliance program for tax-exempt and other tax-benefited obligations in a manner consistent with state and federal laws applicable to such obligations.

**II. Post-Issuance Tax Compliance**

The Treasurer of the Issuer, or such other designated officer (the "Compliance Officer") shall be the primary bond compliance officer responsible for each issuance by the Issuer of tax-exempt (or otherwise tax-benefited) bonds, notes, financing leases, or other obligations (herein, collectively referred to as "bonds"). All information related to each bond issue and the facilities, equipment and other assets financed by such issue shall be maintained by or on behalf of the Compliance Officer and the actions taken under subsections A through C of this Section II shall be taken by the Compliance Officer or on behalf of the Compliance Officer by such other officers or employees of the Issuer as appropriate.

**A. Tax Certificate and Continuing Education**

1. **Tax Certificate** – A Tax Certificate is prepared for each issuance of bonds. Immediately upon issuing any bonds, the Compliance Officer, in conjunction with the Issuer's bond counsel and financial advisor, shall review the Tax Certificate and make notes regarding specific compliance issues for such bond issue on the Post-Issuance Compliance Notes form at Exhibit A. The Tax Certificate and Notes shall clearly define the roles and responsibilities relating to the ongoing compliance activities for each bond issue and will identify specific compliance requirements.
2. **Continuing Education** – The Compliance Officer will actively seek out advice of bond counsel on any matters that appear to raise ongoing compliance concerns and may attend or participate in seminars, teleconferences, etc. sponsored by organizations such as the Massachusetts Collector-Treasurer Association and the Massachusetts Government Finance Officers Association that address compliance issues and developments in the public finance bond arena. In addition, national organizations such as the Securities Industry and Financial Markets Association (SIFMA) and the National Association of Bond Lawyers (NABL) offer numerous training opportunities and materials which may be useful to the Compliance Officer.

**B. Tax-Exempt Bonds Compliance Monitoring**

1. **Restrictions against Private Use** – The Compliance Officer will continuously monitor the expenditure of bond proceeds and the use of facilities or equipment financed or refinanced with bonds to ensure compliance with Section 141 of the Internal Revenue

Code (the “Code”) which generally establishes limitations on the use of bond-financed facilities by non-state or local governmental entities, such as individuals using bond-financed assets on a basis other than as a member of the general public, corporations and the federal government and its agencies and instrumentalities.

**a. Use of Bond Proceeds** – The Compliance Officer will monitor and maintain records with respect to expenditures to ensure that bond proceeds are being used on capital expenditures for governmental purposes in accordance with the bond documents and document the allocation of all bond proceeds. Such monitoring is required not only for tax-exempt bonds, but also for tax credit bonds.

**b. Use of the Bond-Financed Facility or Equipment**

- i. Equipment assets financed with bonds** will be listed in a schedule for each bond issue, which schedule may be included in the Tax Certificate. Equipment assets generally are not to be disposed of prior to the earlier of (a) the date the bonds and all subsequent refundings of such bonds are fully paid, or (b) the end of the useful life of such equipment. The Compliance Officer will maintain the list of all bond-financed equipment for each bond issue, together with the equipment’s expected useful life.
- ii. Constructed or acquired assets financed with bonds** – In order to ensure that assets constructed or acquired using bond proceeds, such as infrastructure assets, are not leased, sold or disposed of prior to the end of the term of the bonds and of all subsequent refundings of such bonds:
  - Any asset constructed or acquired with bond proceeds shall be flagged in the Issuer’s records, and
  - These projects will be monitored by the Compliance Officer.
- iii.** If there is any proposal to change the use of a bond-financed facility from a governmental purpose to a use in which a private entity may have the use or benefit of such a facility on a basis that is different from the rest of the general public, the Compliance Officer will consult with bond counsel prior to the occurrence of the proposed change in use.

**2. Qualification for Initial Temporary Periods and Compliance with Restrictions against Hedge Bonds**

**a. Expectations as to Expenditure of “New Money” Bond Proceeds**

- i.** In order to qualify under the arbitrage rules for an initial temporary period of 3 years for “new money” issues during which bond proceeds can be invested without regard to yield (but potentially subject to rebate), the Issuer must reasonably expect to spend at least 85% of “spendable proceeds” by the end of the temporary period. In general under Code Section 149, in order to avoid classification of an issue of bonds as “hedge bonds,” the Issuer must both (x) reasonably expect to spend 85% of the “spendable proceeds” of the bond issue within the 3 year period beginning on the date the bonds are issued and (y)



invest not more than 50% of the proceeds of the issue in investments having a substantially guaranteed yield for 4 years or more. These expectations have been documented for the Issuer's outstanding bond issues in the tax certificates executed in connection with each bond issue.

- ii. If, for any reason, the Issuer's expectations concerning the period over which the bond proceeds are to be expended change from what was documented in the applicable tax certificate, the Compliance Officer will consult with bond counsel.

**b. Project Draw Schedule Compliance Monitoring** – While there are unspent proceeds of a bond issue, the Compliance Officer will compare and analyze the original anticipated project draw schedule and the actual expenditure payouts and reimbursements on each bond-financed project on an annual or more frequent basis. The purpose of this analysis is to determine the variances from the original expected draw schedule for each project and to document the reasons for these variances to provide a continual record on the spending progress of each bond-financed project. Factors relevant to the analysis include unexpected delays in the project timelines, extreme weather, contract time extensions due to unexpected events, supplemental agreements and any other factor with a potential to impact the progress or completion of the projects. Generally, there should be no effect on the tax-exempt status of the bonds under either the temporary period rules or the hedge bond rules if the actual disbursements do not meet the original project draw schedule, unless circumstances surrounding the actual events cast doubt on the reasonableness of the stated expectations on the issuance date. Therefore, it is important for the Compliance Officer to update the progress of each project at least annually, and consult with bond counsel as to any variance from the original schedule.

**c. Bond Proceeds Expenditure Schedule Compliance Monitoring** – While there are unspent proceeds of bonds, the Compliance Officer will compare and analyze the bond proceeds expenditure schedule and the actual investment earnings on each project on an annual or more frequent basis. The purpose of this analysis is to determine any variances from the expected expenditure schedule and to document the reasons for these variances.

### **3. Arbitrage Rebate Compliance**

**a.** Bonds may lose their tax-favored status, retroactive to the date of issuance, if they do not comply with the arbitrage restrictions of section 148 of the Code. Two general sets of requirements under the Code must be applied in order to determine whether governmental bonds are arbitrage bonds: the yield restriction requirements of section 148(a) and the rebate requirements of section 148(f).

**b. Yield Restriction Requirements** – The yield restriction requirements provide, in general terms, that gross proceeds of a bond issue may not be invested in investments earning a yield higher than the yield of the bond issue, except for investments (i) during one of the temporary periods permitted under the regulations (including the

initial three year temporary period described above), (ii) in a reasonably required reserve or replacement fund or (iii) in an amount not in excess of the lesser of 5% of the sale proceeds of the issue or \$100,000 (the "minor portion"). Under limited circumstances, the yield on investments subject to yield restriction can be reduced through payments to the IRS known as "yield reduction payments." The Tax Certificate will identify those funds and accounts associated with a particular issue of bonds known, as of the date of issuance, to be subject to yield restriction.

**c. Rebate Requirements**

- i. If, consistent with the yield restriction requirements, amounts treated as bond proceeds are permitted to be invested at a yield in excess of the yield on the bonds (pursuant to one of the exceptions to yield restriction referred to above), rebate payments may be required to be made to the U.S. Treasury. Under the applicable regulations, the aggregate rebate amount is the excess of the future value of all the receipts from bond funded investments over the future value of all the payments to acquire such investments. The future value is computed as of the computation date using the bond yield as the interest factor. At least 90% of the rebate amount calculated for the first computation period must be paid no later than 60 days after the end of the first computation period. The amount of rebate payments required for subsequent computation periods (other than the final period) is that amount which, when added to the future value of prior rebate payments, equals at least 90% of the rebate amount. For the final computation period, 100% of the calculated amount must be paid. Rebate exceptions and expectations are documented for each bond issue in the tax certificate executed at the time of such bond issue.
- ii. **While there are unspent proceeds of bonds, the Issuer will engage an experienced independent rebate analyst to annually calculate any rebate that may result for that year and annually provide a rebate report to the Compliance Officer. Bond counsel can assist with referrals to qualified rebate analysts.**

**d. Timing of Rebate Payments**

The Compliance Officer will work with the rebate analyst to ensure the proper calculation and payment of any rebate payment and/or yield-reduction payment at the required time:

- i. First installment due no later than 60 days after the end of the fifth anniversary of each bond issuance;
- ii. Succeeding installments at least every five years;



- iii. Final installment no later than 60 days after retirement of last bond in the issue.<sup>1</sup>

#### 4. Refunding Requirements

- a. **Refunded Projects** – The Compliance Officer will maintain records of all bond financed assets for each bond issue, including assets originally financed with a refunded bond issue.
- b. **Yield Restriction** – The Compliance Officer will work with its financial advisor and bond counsel to maintain records of allocation of bond proceeds for current and advance refundings of prior bond issues to ensure that such bond proceeds are expended as set forth in the applicable tax certificate executed at the time the refunding bonds are issued. Any yield restricted escrows will be monitored for ongoing compliance.

#### C. Record Retention

- 1. Section 6001 of the Code provides the general rule for the proper retention of records for federal tax purposes. The IRS regularly advises taxpayers to maintain sufficient records to support their tax deductions, credits and exclusions. In the case of a tax-exempt bond transaction, the primary taxpayers are the bondholders. In the case of other tax benefited bonds, such as “build America bonds” or “recovery zone economic development bonds”, the Issuer will be treated as the taxpayer. In order to ensure the continued exclusion of interest to such bondholders, it is important that the Issuer retain sufficient records to support such exclusion.

#### 2. In General

- a. All records associated with any bond issue shall be stored electronically or in hard copy form at the Issuer’s offices or at another location conveniently accessible to the Issuer.
- b. The Compliance Officer will ensure that the Issuer provides for appropriate storage of these records.
- c. If storing documents electronically, the Issuer shall conform with Rev. Proc. 97-22, 1997-1 C.B. 652 (as the same may be amended, supplemented or superseded), which provides guidance on maintaining books and records by using an electronic storage system. Bond counsel can furnish a copy of this Revenue Procedure if needed.

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<sup>1</sup> Generally, rebate payments must be paid not later than 60 days after retirement of the last bond in the issue.

3. **Bonds** – Unless a longer period of time is required by state law, the Issuer shall maintain the bond record as defined in this section for the longer of the life of the bonds plus 3 years or the life of refunding bonds (or series of refunding bonds) which refunded the bonds plus 3 years. The bond record shall include the following documents:

**a. Pre-Issuance Documents**

- i. **Guaranteed Investment Contracts (“GICs”) and Investments (other than Treasury’s State and Local Government Series Securities, “SLGs”)** – If applicable, the Compliance Officer shall retain all documentation regarding the procurement of each GIC or other investment acquired on or before the date of bond issuance, including as applicable the request for bids, bid sheets, documentation of procurement method (i.e., competitive vs. negotiated), etc. If investments other than SLGs are used for a defeasance escrow, the documentation should include an explanation of the reason for the purchase of open market securities and documentation establishing the fair value of the securities and compliance with safe harbor bidding rules. If SLGs are purchased, a copy of the final subscription shall be maintained.
- ii. **Project Draw Schedule** – The Compliance Officer shall retain all documentation and calculations relating to the draw schedule used to meet the “reasonable expectations” test and use of proceeds tests (including copies of contracts with general and sub-contractors or summaries thereof).
- iii. **Issue Sizing** – The Compliance Officer shall maintain a copy of all financial advisor’s or underwriter’s structuring information.
- iv. **Bond Insurance** – If procured by the Issuer, the Compliance Officer shall maintain a copy of insurance quotes and calculations supporting the cost benefit of bond insurance, if any.
- v. **Costs of Issuance documentation** – The Compliance Officer shall retain all invoices, payments and certificates related to costs of issuance of the bonds.

- b. **Issuance Documents** – The Compliance Officer shall retain the bound bond transcript delivered from bond counsel.

**c. Post-Issuance Documents**

- i. **Post-Issuance Guaranteed Investment Contracts and Investments (Other than SLGs)** – the Compliance Officer shall retain all documentation regarding the procurement of any GIC or other investment acquired after bond issuance, including as applicable the request for bids, bid sheets, documentation of procurement method (i.e., competitive vs. negotiated), etc. If investments other than SLGs are used for a defeasance escrow, the documentation should include an



explanation of the reason for the purchase of open market securities and documentation establishing the fair value of the securities and compliance with safe harbor bidding rules.

- ii. **Records of Investments** shall be retained by the Compliance Officer.
- iii. **Investment Activity Statements** shall be retained by the Compliance Officer.
- iv. **Records of Expenditures** – The Compliance Officer shall maintain or shall cause to be maintained all invoices, etc. relating to equipment purchases and constructed or acquired projects, either electronically or in hard copy.
- v. **Records of Compliance**
  - **Qualification for Initial Temporary Periods and Compliance with Restrictions against Hedge Bond Documentation** – The Compliance Officer shall prepare the annual analysis described in Section II(B)(2) above and maintain these records.
  - **Arbitrage Rebate Reports** may be prepared by the Compliance Officer or a third party as described in section II (B)(3) of this document and retained by the Compliance Officer.
  - **Returns and Payment** – Shall be prepared at the direction of the Compliance Officer and filed as described in Section II(B)(3) of this document.
  - **Contracts under which any bond proceeds are spent (consulting engineering, acquisition, construction, etc.)** – The Compliance Officer shall obtain copies of these contracts and retain them for the bond record.

#### d. General

- i. **Audited Financial Statements** – The Compliance Officer will maintain copies of the Issuer's annual audited Financial Statements.
- ii. **Reports of any prior IRS Examinations** – The Compliance Officer will maintain copies of any written materials pertaining to any IRS examination of the Issuer's bonds.

### **III. Voluntarily Correcting Failures to Comply with Post-Issuance Compliance Activities**

If, in the effort to exercise due diligence in complying with applicable federal tax laws, a potential violation is discovered, the Issuer may address the violation through the applicable method listed below. The Issuer should work with its bond counsel to determine the appropriate way to proceed.

#### **A. Taking remedial actions as described in Section 141 of the Internal Revenue Code**

**B. Utilizing the Voluntary Closing Agreement Program (VCAP)** – Section 7.2.3 of the Internal Revenue Manual establishes the voluntary closing agreement program for tax-exempt

bonds (TEB VCAP) whereby issuers of tax-exempt bonds can resolve violations of the Internal Revenue Code through closing agreements with the Internal Revenue Service.

#### **IV. Post Issuance Tax Compliance Procedures Review**

The Compliance Officer shall review these procedures at least annually, and implement revisions or updates as deemed appropriate, in consultation with bond counsel.



**Exhibit A**

**POST ISSUANCE COMPLIANCE NOTES**

**[Name of Bond]**

**Transaction Parties**

Overall Responsible Party for Debt Management Activities \_\_\_\_\_

Bond Counsel \_\_\_\_\_

Paying Agent \_\_\_\_\_

Rebate Specialist \_\_\_\_\_

Other \_\_\_\_\_

## **EXHIBIT A**

**\$4,655,000**

**Town of Natick, Massachusetts  
General Obligation Bond Anticipation Notes  
Dated June 28, 2019**

### **ISSUE PRICE CERTIFICATE AND RECEIPT**

The undersigned, on behalf of the Successful Bidder, hereby certifies as set forth below with respect to the sale of the above-captioned obligations ("Issue") of the Issuer. Capitalized terms used and not otherwise defined herein shall have the respective meanings set forth in the Tax Certificate to which this Exhibit A is attached.

**1. Reasonably Expected Initial Offering Price.**

(a) As of the Sale Date, the reasonably expected initial offering price of the notes of the Issue to the Public by the Successful Bidder is the price listed in Schedule A ("Expected Offering Price"). The Expected Offering Price is the price for the notes of the Issue used by the Successful Bidder in formulating its bid to purchase the Issue. Reflected in Schedule B is a true and correct representation of the bid provided by the Successful Bidder to purchase the notes of the Issue.

(b) The Successful Bidder was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Successful Bidder constituted a firm offer to purchase the notes of the Issue.

**2. Receipt.** The Successful Bidder hereby acknowledges receipt of the notes of the Issue from the Issuer and further acknowledges receipt of all certificates, opinions and other documents required to be delivered to the Successful Bidder, before or simultaneously with the delivery of such notes of the Issue, which certificates, opinions and other documents are satisfactory to the Successful Bidder.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder's interpretation of any laws, including specifically Sections 103 and 148 and the Regulations thereunder.

*[Remainder of page intentionally left blank; signature page follows.]*



The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Issue, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Issue is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Issue.

Dated: June 28, 2019

PIPER JAFFRAY & CO.

By: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE A TO EXHIBIT A**  
**EXPECTED INITIAL OFFERING PRICE TO THE PUBLIC**

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**Town of Natick, Massachusetts**  
**\$4,655,000 General Obligation Bond Anticipation Notes**  
**Dated June 28, 2019**

**Pricing Summary**

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Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
02/21/2020	Serial Note	2.250%	1.500%	4,655,000.00	100.480%	4,677,344.00
Total	-	-	-	\$4,655,000.00	-	\$4,677,344.00



## SCHEDULE B TO EXHIBIT A

### SUCCESSFUL BIDDER'S BID

PARITY Bid Form

Page 1 of 1

Upcoming Calendar	Overview	Result	Excel
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Piper Jaffray & Company - New York , NY's Bid



Natick (Town)

### **\$4,655,000 General Obligation Bond Anticipation Notes (new money)**

For the aggregate principal amount of \$4,655,000.00, we will pay you \$4,676,226.80, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate:

Maturity Date	Amount \$	Coupon %	Yield %	Dollar Price
02/21/2020	4,655M	2.2500	1.5000	100.480

Bid: 100.456000

Premium: \$21,226.80

Net Interest Cost: \$46,561.64

NIC: 1.545451

Time Last Bid Received On:06/19/2019 10:49:28 EDST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: Piper Jaffray & Company, New York , NY

Contact: Christopher DiCerbo

Title: Underwriter

Telephone:212--28-4-93

Fax: 212-28-4-94

Issuer Name: Town of Natick

Company Name: \_\_\_\_\_

Accepted By: \_\_\_\_\_

Accepted By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## **EXHIBIT B**

**\$4,655,000**

**Town of Natick, Massachusetts  
General Obligation Bond Anticipation Notes  
Dated June 28, 2019**

### **CERTIFICATE OF THE MUNICIPAL ADVISOR**

The undersigned, on behalf of the Municipal Advisor, has assisted the Issuer in soliciting and receiving bids from potential underwriters in connection with the sale of the notes of the Issue in a competitive bidding process in which bids were requested for the purchase of such notes at specified written terms set forth in the Notice of Sale, a copy of which is attached to this certificate as Attachment 1. Capitalized terms used and not otherwise defined herein shall have the respective meanings set forth in the Tax Certificate to which this Exhibit B is attached. The competitive sale requirements (as defined in the Notice of Sale) for the notes of the Issue were met. The Municipal Advisor further advises as follows:

1. The notes of the Issue were offered for sale at specified written terms more particularly described in the Notice of Sale, which was distributed to potential bidders.

2. The Notice of Sale was disseminated electronically through PARITY on June 12, 2019. The method of distribution of the Notice of Sale is regularly used for purposes of disseminating notices of sale of new issuances of municipal bonds, and notices disseminated in such manner are widely available to potential bidders.

3. To the knowledge of the Municipal Advisor, all bidders were offered an equal opportunity to bid to purchase the notes of the Issue so that, for example, if the bidding process afforded any opportunity for bidders to review other bids before providing a bid, no bidder was given an opportunity to review other bids that was not equally given to all other bidders (that is, no exclusive "last-look").

4. The Issuer received bids for the notes of the Issue from at least three Underwriters who represented that they have established industry reputations for underwriting new issuances of municipal bonds. Based upon the Municipal Advisor's knowledge and experience in acting as the Municipal Advisor for other municipal issues, the Municipal Advisor believes those representations to be accurate. Copies of any written bids received are attached to this certificate as Attachment 2. Bids not reflected in Attachment 2, if any, were received by telephone rather than in writing.

5. The winning bidder for the notes of the Issue was the Successful Bidder, whose bid was determined to be the best conforming bid in accordance with the terms set forth in the Notice of Sale, as shown in the bid comparison attached as Attachment 3 to this certificate. The Issuer awarded the notes of the Issue to the Successful Bidder.

6. The Yield on the Issue is 1.4995113% as shown on the attached Schedule A.



The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Municipal Advisor's interpretation of any laws, including specifically Sections 103 and 148 and the Regulations thereunder.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate to which this certificate is attached and with respect to compliance with the federal income tax rules affecting the Issue, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Issue is excluded from gross income for federal income tax purposes, in the preparation of the Internal Revenue Service Form 8038-G, and in providing other federal income tax advice that it may give to the Issuer from time to time relating to the Issue. The Issuer and Locke Lord LLP may also rely on the foregoing information for purposes of determining compliance with Section 21A of Chapter 44 of the Massachusetts General Laws, if applicable. No other persons may rely on the representations set forth in this certificate without the prior written consent of the Municipal Advisor.

Dated: June 28, 2019

HILLTOP SECURITIES INC.

By: \_\_\_\_\_  
Name:  
Title:

**ATTACHMENT 1 TO EXHIBIT B**

**NOTICE OF SALE**



**ATTACHMENT 2 TO EXHIBIT B**  
**COPIES OF WRITTEN BIDS RECEIVED**

PARITY Bid Form

Page 1 of 1

Upcoming Calendar	Overview	Result	Excel
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**Piper Jaffray & Company - New York , NY's Bid**



**Natick (Town)**

**\$4,655,000 General Obligation Bond Anticipation Notes  
(new money)**

For the aggregate principal amount of \$4,655,000.00, we will pay you \$4,676,226.80, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate:

Maturity Date	Amount \$	Coupon %	Yield %	Dollar Price
02/21/2020	4,655M	2.2500	1.5000	100.480

Bid: 100.456000

Premium: \$21,226.80

Net Interest Cost: \$46,561.64

NIC: 1.545451

Time Last Bid Received On: 06/19/2019 10:49:28 EDST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: Piper Jaffray & Company, New York , NY

Contact: Christopher DiCerbo

Title: Underwriter

Telephone: 212--28-4-93

Fax: 212--28-4-94

Issuer Name: Town of Natick

Company Name: \_\_\_\_\_

Accepted By: \_\_\_\_\_ Accepted By: \_\_\_\_\_

Date: \_\_\_\_\_ Date: \_\_\_\_\_

Upcoming Calendar	Overview	Result	Excel
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TD Securities - New York , NY's Bid



Natick (Town)

**\$4,655,000 General Obligation Bond Anticipation Notes  
(new money)**

For the aggregate principal amount of \$4,655,000.00, we will pay you \$4,682,231.75, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate:

Maturity Date	Amount \$	Coupon %	Yield %	Dollar Price
02/21/2020	4,655M	2.5000	1.5000	100.640

Bid: 100.585000  
Premium: \$27,231.75  
Net Interest Cost: \$48,088.74  
NIC: 1.596137  
Time Last Bid Received On: 06/19/2019 10:54:23 EDST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: TD Securities, New York , NY

Contact: Chris Dimon

Title:

Telephone: 212-827-7171

Fax:

Issuer Name: Town of Natick

Company Name: \_\_\_\_\_

Accepted By: \_\_\_\_\_ Accepted By: \_\_\_\_\_

Date: \_\_\_\_\_ Date: \_\_\_\_\_

Upcoming Calendar	Overview	Result	Excel
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**BNYMellon Capital Markets - Pittsburgh , PA's Bid**



**Natick (Town)**

**\$4,655,000 General Obligation Bond Anticipation Notes  
(new money)**

For the aggregate principal amount of \$4,655,000.00, we will pay you \$4,674,583.58, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate:

Maturity Date	Amount \$	Coupon %	Yield %	Dollar Price
02/21/2020	4,655M	2.2500	1.5500	100.448

Bid: 100.420700

Premium: \$19,583.58

Net Interest Cost: \$48,204.86

NIC: 1.599991

Time Last Bid Received On: 06/19/2019 10:51:08 EDST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: BNYMellon Capital Markets, Pittsburgh , PA

Contact: Andrew Richless

Title: Trader

Telephone: 212-815-5333

Fax:

Issuer Name: Town of Natick

Company Name: \_\_\_\_\_

Accepted By: \_\_\_\_\_ Accepted By: \_\_\_\_\_

Date: \_\_\_\_\_ Date: \_\_\_\_\_



# ATTACHMENT 3 TO EXHIBIT B

## BID COMPARISON

### Town of Natick, Massachusetts

\$4,655,000 General Obligation Bond Anticipation Notes

Sale Date: 6/19/2019  
 Dated Date: 6/28/2019  
 Delivery Date: 6/28/2019  
 Due Date: 2/21/2020  
 Days Per Year: 360  
 Day Count: 233  
 Bank Qualified: No  
 Rating: None



Bidder	Underwriter	Principal	Coupon Rate	Premium	Interest	Net Interest	NIC	Prorata Premium	Prorata Interest	Award	Reoffering Yield
Piper Jaffray & Company	*	\$4,655,000	2.25%	\$21,226.80	\$67,788.44	\$46,561.64	1.5455%	\$21,226.80	\$67,788.44	\$4,655,000	1.50%
Jefferies LLC	*	\$4,655,000	2.05%	\$14,617.00	\$61,762.80	\$47,145.80	1.5648%				
TD Securities	*	\$4,655,000	2.50%	\$27,231.75	\$75,320.49	\$48,088.74	1.5961%				
BNY Mellon Capital Markets	*	\$4,655,000	2.25%	\$19,583.58	\$67,788.44	\$48,204.86	1.6000%				
Oppenheimer & Co., Inc.	*	\$4,655,000	2.50%	\$23,808.00	\$75,320.49	\$51,512.49	1.7098%				
Century Bank	*	\$4,655,000	2.60%	\$13,965.00	\$78,333.31	\$64,368.31	2.1365%				
<b>Award Totals</b>								\$21,226.80	\$67,788.44	\$4,655,000	

Weighted Average Net Interest Cost: 1.5455%

**SCHEDULE A TO EXHIBIT B**  
**PROOF OF YIELD ON THE ISSUE**

**Town of Natick, Massachusetts**  
**\$4,655,000 General Obligation Bond Anticipation Notes**  
**Dated June 28, 2019**

**Proof Of Bond Yield @ 1.4995113%**

Date	Cashflow	PV Factor	Present Value	Cumulative PV
06/28/2019	-	1.0000000x	-	-
02/21/2020	4,722,788.44	0.9903776x	4,677,344.00	4,677,344.00
Total	\$4,722,788.44	-	\$4,677,344.00	-

**Derivation Of Target Amount**

Par Amount of Bonds.....	\$4,655,000.00
Reoffering Premium or (Discount).....	22,344.00
Original Issue Proceeds.....	\$4,677,344.00

# EXHIBIT C

## SPENDING SCHEDULE

### Town of Natick, Massachusetts

\$4,655,000 General Obligation Bond Anticipation Notes

#### Spending Schedule

Sale Date: 6/19/2019  
 Dated Date: 6/28/2019  
 Delivery Date: 6/28/2019  
 Due Date: 12/19/2019  
 Bank Qualification: No



New Money Purpose	This Issue	Date of First Expenditure*	Spent By Original Issue 6/28/2019	Spent By 12/28/2019	Spent By 6/28/2020	Spent By 12/28/2020	Spent By 6/28/2021
Navy Yard Reconstruction	\$1,600,000	2/26/2019	\$384,091	\$1,600,000	\$1,600,000	\$1,600,000	\$1,600,000
East Park Reconstruction	\$2,535,000	10/9/2019	\$1,849,977	\$2,535,000	\$2,535,000	\$2,535,000	\$2,535,000
Tonka Pressure Water Filter	\$520,000	4/2/2019	\$440,234	\$520,000	\$520,000	\$520,000	\$520,000
<b>Totals</b>	<b>\$4,655,000</b>		<b>\$2,654,302</b>	<b>\$4,655,000</b>	<b>\$4,655,000</b>	<b>\$4,655,000</b>	<b>\$4,655,000</b>

\*If the Town is using new money BAN proceeds to reimburse itself for prior expenditures made for these projects, please include the date of the first such expenditure to be reimbursed using the proceeds of this new money portion of the borrowing (as opposed to the date the first expenditure that may have been made on the project as a whole).

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Exhibit C-1



## VOTE OF THE BOARD OF SELECTMEN

I, the Clerk of the Board of Selectmen of the Town of Natick, Massachusetts, certify that at a meeting of the board held June 24, 2019, of which meeting all members of the board were duly notified and at which a quorum was present, the following votes were unanimously passed, all of which appear upon the official record of the board in my custody:

Voted: to approve the sale of the \$4,655,000 2.25 percent General Obligation Bond Anticipation Notes (the "Notes") of the Town dated June 28, 2019, and payable February 21, 2020, to Piper Jaffray & Co. at par and accrued interest, if any, plus a premium of \$21,226,80.

Further Voted: that in connection with the marketing and sale of the Notes, the preparation and distribution of a Notice of Sale and Preliminary Official Statement dated June 12, 2019, and a final Official Statement dated June 19, 2019, each in such form as may be approved by the Town Treasurer, be and hereby are ratified, confirmed, approved and adopted.

Further Voted: that the Town Treasurer and the Board of Selectmen be, and hereby are, authorized to execute and deliver a significant events disclosure undertaking in compliance with SEC Rule 15c2-12 in such form as may be approved by bond counsel to the Town, which undertaking shall be incorporated by reference in the Notes for the benefit of the holders of the Notes from time to time.

Further Voted: that we authorize and direct the Town Treasurer to establish post issuance federal tax compliance procedures and continuing disclosure procedures in such forms as the Town Treasurer and bond counsel deem sufficient, or if such procedures are currently in place, to review and update said procedures, in order to monitor and maintain the tax-exempt status of the Notes and to comply with relevant securities laws.

Further Voted: that each member of the Board of Selectmen, the Town Clerk and the Town Treasurer be and hereby are, authorized to take any and all such actions, and execute and deliver such certificates, receipts or other documents as may be determined by them, or any of them, to be necessary or convenient to carry into effect the provisions of the foregoing votes.

I further certify that the votes were taken at a meeting open to the public, that no vote was taken by secret ballot, that a notice stating the place, date, time and agenda for the meeting (which agenda included the adoption of the above votes) was filed with the Town Clerk and a copy thereof posted in a manner conspicuously visible to the public at all hours in or on the municipal building that the office of the Town Clerk is located or, if applicable, in accordance with an alternative method of notice prescribed or approved by the Attorney General as set forth in 940 CMR 29.03(2)(b), at least 48 hours, not including Saturdays, Sundays and legal holidays, prior to the time of the meeting and remained so posted at the time of the meeting, that no

deliberations or decision in connection with the sale of the Notes were taken in executive session, all in accordance with G.L. c.30A, §§18-25 as amended.

Dated: June 24, 2019

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Clerk of the Board of Selectmen

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## PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED JUNE 12, 2019

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Notes will not be included in computing the alternative minimum taxable income of individuals. Under existing law, interest on the Notes is exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. The Notes will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. See "Tax Exemption" herein.

### TOWN OF NATICK, MASSACHUSETTS \$4,655,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES

The Town of Natick, Massachusetts (the "Town"), will receive telephone and electronic bids at Hilltop Securities Inc. (617-619-4400) in the case of telephone bids and via PARITY in the case of electronic bids until 11:00 a.m. eastern time, Wednesday, June 19, 2019 for the purchase of the following described General Obligation Bond Anticipation Notes (the "Notes").

\$4,655,000 General Obligation Bond Anticipation Notes (new money). The Notes will be dated June 28, 2019 and will be payable February 21, 2020. Interest will be computed on a 30-day-month/360-day-year basis (233/360). The Notes will not be subject to redemption prior to their stated maturity date.

Bids may be submitted electronically via PARITY pursuant to this Notice of Sale until 11:00 a.m. eastern time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY, potential bidders may contact Hilltop Securities Inc. (617) 619-4400 or PARITY at (212) 404-8102.

The Notes will be issued by means of a book-entry system, evidencing ownership of the Notes in principal amounts of \$1,000, or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company (DTC) and its participants pursuant to rules and procedures adopted by DTC (see "Book-Entry Transfer System"), unless the issuance of a fully registered note certificate is requested by the winning bidder and the issuance of such certificate is approved by the Town. Principal and interest will be payable upon maturity in federal reserve funds at U.S. Bank National Association, Boston, Massachusetts.

Bids for the Notes may be submitted for all or part of the Notes at a single or various rates of interest in multiples of one-hundredth (1/100) of one percent (1%). No bid of less than par and accrued interest to the date of delivery will be considered and **no coupon greater than 3.50% will be accepted. Bids must include a premium of at least \$3.00 per \$1,000 bid.** The right is reserved to reject any and all bids not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any bid. The Notes will be awarded on the basis of lowest net interest cost to the Town after deduction of premium, if any. Such cost will be determined by computing the total amount of interest payable on the Notes, at the rate or rates stated, from June 28, 2019 until the maturity of the Notes and deducting therefrom the sum, if any, by which the amount bid for the Notes exceeds the aggregate principal amount of the Notes.

An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Notes in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by faxing or e-mailing a completed, signed bid form to Hilltop Securities Inc., by not later than 12:00 Noon, eastern time, on the date of sale.

The award of the Notes to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Board of Selectmen of the Town.

The successful bidder for the Notes may request that the Notes be issued in the form of one fully registered physical certificate, rather than in book-entry form through the facilities of DTC. The successful bidder seeking the issuance of the Notes in this manner shall bear any and all costs of any re-registration or transfer of Notes from time to time. Any bidder seeking to have the Notes issued in the form of a fully registered physical certificate or certificates, rather than



in book-entry form, shall indicate this preference to the Town at the time of the submission of the winning bid. The Town reserves the right to decline any request to issue the Notes in non-book entry form if it should determine, in its sole discretion, that issuing the Notes in this manner is not in its best interests.

It shall be the condition of the successful bidder's obligation to accept delivery of and pay for the Notes that, contemporaneously with or before accepting the Notes and paying therefor, it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP, Boston, Massachusetts, Bond Counsel to the Town, with respect to the Notes, (b) a certificate in form satisfactory to said firm, dated as of the date of delivery of the Notes and receipt of payment therefor, to the effect that there is no litigation pending, or to the knowledge of the signer or signers thereof, threatened affecting the validity of the Notes or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town's Interim Treasurer to the effect that, to the best of his knowledge and belief, both the Preliminary Official Statement as of its date and as of the date of sale and the Final Official Statement as of its date and as of the date of delivery of such Notes referred to below, do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a significant events disclosure certificate in the form described in the Official Statement.

Payment of the principal of and interest on the Notes is not limited to a particular fund or source of revenue nor is any lien or pledge for such payment created with respect to any such fund or source.

The successful bidder shall assist the Town in establishing the issue price of the Notes and shall execute and deliver to the Town on the Closing Date an "issue price" or similar certificate, in the applicable form set forth in Exhibit 1 to this Notice of Sale, setting forth the reasonably expected initial offering price to the public or the actual sale price of the Notes, together with the supporting pricing wires or equivalent communications, or, if applicable, the amount bid, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Town and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the Town by Hilltop Securities Inc. ("Financial Advisor") and any notice or report to be provided to the Town may be provided to the Financial Advisor.

Competitive Sale Requirements. If the competitive sale requirements ("competitive sale requirements") set forth in Treasury Regulation § 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) have been satisfied, the Town will furnish to the successful bidder on the Closing Date a certificate of the Financial Advisor, which will certify each of the following conditions to be true:

1. the Town has disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
2. all bidders had an equal opportunity to bid;
3. the Town received bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
4. the Town awarded the sale of the Notes to the bidder who submitted a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

**Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid. Unless a bidder notifies the Town prior to submitting its bid by facsimile to the Financial Advisor facsimile (617) 619-4411 or telephone (617) 619-4400, or in its bid submitted via Parity, that it will not be an "underwriter" (as defined below) of the Notes, by submitting its bid, each bidder shall be deemed to confirm that it has an established industry reputation for underwriting new issuances of municipal bonds. Unless the bidder has notified the Town that it will not be an "underwriter" (as defined below) of the Notes, in submitting a bid, each bidder is deemed to acknowledge that it is an "underwriter" that intends to reoffer the Notes to the public.**

In the event that the competitive sale requirements are not satisfied, the Town shall so advise the successful bidder.

Failure to Meet the Competitive Sale Requirements – Option A – The Successful Bidder Intends to Reoffer the Notes to the Public and the 10% Test to Apply. If the competitive sale requirements are not satisfied and the successful bidder intends to reoffer the Notes to the public, the Successful Bidder may, at its option will use the first price at which 10% of the Notes (the "10% test") is sold to the public as the issue price of the Notes. The successful bidder shall

advise the Financial Advisor if the 10% test is satisfied as of the date and time of the award of the Notes. The Town will not require bidders to comply with the "hold-the-offering-price rule" set forth in the applicable Treasury Regulations and therefore does not intend to use the initial offering price to the public as of the Sale Date as the issue price of the Notes if the competitive sale requirements are not met.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to Notes or all of the Notes are sold to the public, the successful bidder agrees to promptly report to the Financial Advisor the prices at which the unsold Notes have been sold to the public, which reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied for the Notes or until all the Notes have been sold. The successful bidder shall be obligated to report each sale of Notes to the Financial Advisor until notified in writing by the Town or the Financial Advisor that it no longer needs to do so.

By submitting a bid and if the competitive sale requirements are not met, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Notes allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Notes or all of the Notes have been sold to the public, if and for so long as directed by the successful bidder and as set forth in the related pricing wires and (ii) any agreement among underwriters relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Notes allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Notes or that all of the Notes have been sold to the public if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Notes to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

1. "public" means any person other than an underwriter or a related party,
2. "underwriter" means (A) any person, including the successful bidder, that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the public), and
3. a purchaser of any of the Notes is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

Failure to Meet the Competitive Sale Requirements — Option B — The Successful Bidder Intends to Reoffer the Notes to the Public and Agrees to Hold the Price of Maturities of Notes for Which the 10% Test in Option A Is Not Met as of the Sale Date. The successful bidder may, at its option, notify the Financial Advisor in writing, which may be by email (the "Hold the Price Notice"), not later than 4:00 p.m. on the Sale Date, that it has not sold 10% of the Notes listed in the Hold the Price Notice (the "Unsold Maturities") and that the successful bidder will not offer the Unsold Maturities to any person at a price that is higher than the initial offering price to the public during the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date or (ii) the date on which the successful bidder has sold at least 10% of the applicable Unsold Maturity to the public at a price that is no higher than the initial offering price to the public. If the successful bidder delivers a Hold the Price Notice to the Financial Advisor, the successful bidder must provide to the Town on or before the Closing

Date, in addition to the certification described in Option A above, evidence that each underwriter of the Notes, including underwriters in an underwriting syndicate or selling group, has agreed in writing to hold the price of the Unsold Maturities in the manner described in the preceding sentence.

Failure to Meet the Competitive Sale Requirements and/or the Successful Bidder Does Not Intend to Reoffer the Notes to the Public – Option C. If the successful bidder has purchased the Notes for its own account and will not distribute or resell the Notes to the public, then, whether or not the competitive sale requirements were met, the reoffering price certificate will recite such facts and identify the price or prices at which the purchase of the Notes was made.

The purchaser(s) of the Notes will be furnished the opinion of Locke Lord LLP, Boston, Massachusetts approving the legality of the Notes. The opinion will also indicate that the Notes and the enforceability thereof may be subject to bankruptcy and other laws affecting creditor's rights and that their enforceability may be subject to the exercise of judicial discretion in appropriate cases. Payment of the principal of and interest on the Notes is not limited to a particular fund or source of revenue nor is any lien or pledge for such payment created with respect to any such fund or source. The Notes will be valid and binding general obligations of the Town of Natick, Massachusetts and unless paid from the bond proceeds in anticipation of which they are issued or from other sources, are payable as to both principal and interest from ad valorem taxes which may be levied upon all the property within the territorial limits of the Town and taxable by it, subject to the limit imposed by Chapter 59, Section 21 of the General Laws.

It is anticipated that CUSIP identification numbers will be printed on the Notes. The Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

In order to assist bidders in complying with the requirements of paragraph (b)(5)(i)(C) of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will undertake to provide notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement.

**THE NOTES WILL NOT BE DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR PURPOSES OF SECTION 265(b)(3) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.**

Additional information concerning the Town and the Notes is contained in the Preliminary Official Statement dated June 12, 2019 to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes and is not a part of this Notice of Sale. The Preliminary Official Statement has been deemed final by the Town except for the omission of the reoffering prices, interest rates, and other terms of the Notes depending on such matters, and the identity of the underwriters, but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from Hilltop Securities Inc., 54 Canal Street, Boston, Massachusetts, 02114 telephone (617-619-4400). Within seven (7) business days following the award of the Notes and receipt of necessary information from the successful bidder(s), five (5) copies of the Final Official Statement will be made available to the successful bidder. Upon request, additional copies will be provided at the expense of the requester.

The Notes, in definitive form, will be delivered to DTC or the office of its custodial agent, or to the registered owner if a fully registered certificate or certificates is requested by the winning bidder and approved by the Town, on or about June 28, 2019 for credit to the Town in federal reserve funds.

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TOWN OF NATICK, MASSACHUSETTS  
/s/ John Townsend, Finance Director and Interim Town Treasurer

June 12, 2019



**[Issue Price Certificate for Use If the Competitive Sale Requirements Are Met]**

**Town of Natick, Massachusetts**  
**\$4,655,000 General Obligation Bond Anticipation Notes dated June 28, 2019**

**ISSUE PRICE CERTIFICATE AND RECEIPT**

The undersigned, on behalf of \_\_\_\_\_ (the "Successful Bidder"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Notes") of the Town of Natick, Massachusetts (the "Issuer").

**1. Reasonably Expected Initial Offering Prices.**

(a) As of the Sale Date, the reasonably expected initial offering prices of the Notes to the Public by the Successful Bidder are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Notes used by the Successful Bidder in formulating its bid to purchase the Notes. Attached as Schedule B is a true and correct copy of the bid provided by the Successful Bidder to purchase the Notes.

(b) The Successful Bidder was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Successful Bidder constituted a firm offer to purchase the Notes.

**2. Defined Terms.**

(a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Notes. The Sale Date of the Notes is June 19, 2019.

(d) *Underwriter* means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

**3. Receipt.** The Successful Bidder hereby acknowledges receipt of the Notes and further acknowledges receipt of all certificates, opinions, and other documents required to be delivered to the Successful Bidder, before or simultaneously with the Notes, which certificates, opinions, and other documents are satisfactory to the Successful Bidder.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidders interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Dated: \_\_\_\_\_, 2019

[NAME OF SUCCESSFUL BIDDER]

By: \_\_\_\_\_  
 Name:  
 Title:

**SCHEDULE A**  
**EXPECTED OFFERING PRICES**  
**(To Be Attached)**

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**SCHEDULE B**  
**COPY OF SUCCESSFUL BIDDER'S BID**  
**(To Be Attached)**

**[Issue Price Certificate for Use If the Competitive Sale Requirements Are  
Not Met and the 10% Test to Apply]  
\$4,655,000 General Obligation Bond Anticipation Notes dated June 28, 2019**

**ISSUE PRICE CERTIFICATE AND RECEIPT**

The undersigned, on behalf of \_\_\_\_\_, (the “[Successful Bidder]”[Representative]), on behalf of itself [and [NAMES OF OTHER UNDERWRITERS]] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Notes”) of the Town of Natick, Massachusetts (the “Issuer”).

**1. Sale of the Notes.** As of the date of this certificate, [except as set forth in the following paragraph,] for each Maturity of the Notes, the first price at which at least 10% of such Maturity of the Notes was sold to the Public is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% test has not been met or all of the Notes have not been sold for one or more Maturities of Notes as of the Closing Date.]

For each Maturity of the Notes as to which no price is listed in Schedule A, as set forth in the Notice of Sale for the Notes, until at least 10% of each such Maturity of the Notes is sold to the Public (the “10% test”) or all of the Notes are sold to the Public, the [Successful Bidder] [Representative] agrees to promptly report to the Issuer’s financial advisor, Hilltop Securities Inc. (the “Financial Advisor”) the prices at which the unsold Notes of each Maturity have been sold to the Public, which reporting obligation shall continue after the date hereof until the 10% test has been satisfied for each Maturity of the Notes or until all the Notes of a Maturity have been sold. The [Successful Bidder] [Representative] shall continue to report each sale of Notes to the Financial Advisor until notified by email or in writing by the State or the Financial Advisor that it no longer needs to do so.

**2. Defined Terms.**

(a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Underwriter* means (i) any person, including the [Successful Bidder] [Representative], that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

**3. Receipt.** The [Successful Bidder] [Representative] hereby acknowledges receipt of the Notes and further acknowledges receipt of all certificates, opinions, and other documents required to be delivered to the [Successful Bidder] [Representative], before or simultaneously with the Notes, which certificates, opinions, and other documents are satisfactory to the [Successful Bidder] [Representative].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the [Successful Bidder] [Representative]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Dated: \_\_\_\_\_, 2019

[SUCCESSFUL BIDDER] [REPRESENTATIVE]

By: \_\_\_\_\_  
Name:  
Title:



**SALE PRICES  
(To be Attached)**

**[Issue Price Certificate for Use If the Competitive Sale Requirements Are  
Not Met and the Hold the Price Rule Is Used]**

**Town of Natick, Massachusetts  
\$4,655,000 General Obligation Bond Anticipation Notes dated June 28, 2019**

**ISSUE PRICE CERTIFICATE AND RECEIPT**

The undersigned, on behalf of \_\_\_\_\_ (the “[Successful Bidder]”[Representative]), on behalf of itself [and [NAMES OF OTHER UNDERWRITERS] ]hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Notes”) of the Town of Natick, Massachusetts (the “Issuer”).

1. **Sale of the Notes.** As of the date of this certificate, [except as set forth in following paragraph,] for each Maturity of the Notes, the first price at which at least 10% of such Maturity of the Notes was sold to the Public is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% test has not been met as of the Sale Date.]

For each Maturity of the Notes as to which no price is listed in Schedule A (the “Unsold Maturities”), as set forth in the Notice of Sale for the Notes, the [Successful Bidder] [Representative] and any other Underwriter did not [and will not] reoffer the Unsold Maturities to any person at a price that is higher than the initial offering price to the public until the earlier of (i) \_\_\_\_\_, 2019 or (ii) the date on which the [Successful Bidder] [Representative] or any other Underwriter sold at least 10% of each Unsold Maturity at a price that is no higher than the initial offering price to the Public.

2. **Defined Terms.**

(a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Underwriter* means (i) any person, including the [Successful Bidder] [Representative], that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

3. **Receipt.** The [Successful Bidder] [Representative] hereby acknowledges receipt of the Notes and further acknowledges receipt of all certificates, opinion and other documents required to be delivered to the [Successful Bidder] [Representative], before or simultaneously with the delivery of the Notes, which certificates, opinions and other documents are satisfactory to the [Successful Bidder] [Representative].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the [Successful Bidder's] [Representative's] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Dated: \_\_\_\_\_, 2019

[SUCCESSFUL BIDDER] [REPRESENTATIVE]

By: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE A**  
**SALE PRICES**  
**(To be Attached)**



**PRELIMINARY OFFICIAL STATEMENT  
TOWN OF NATICK, MASSACHUSETTS  
\$4,655,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES**

This Preliminary Official Statement is provided for the purpose of presenting certain information relating to the Town of Natick, Massachusetts (the "Town") in connection with the sale of \$4,655,000 principal amount of its General Obligation Bond Anticipation Notes (the "Notes"). The information contained herein has been furnished by the Town except information attributed to another governmental agency or official as the source.

**Description of the Notes**

The Notes will be dated June 28, 2019 and will be payable by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent, on February 21, 2020. The Notes are not subject to redemption prior to their stated maturity date. The Notes will bear interest payable at maturity, calculated on a 30 day-month/360 day-year basis (233/360), at the rate determined upon their sale in accordance with the Notice of Sale dated June 12, 2019. The Notes will be issued by means of a book-entry system evidencing ownership of the Notes in principal amounts of \$1,000, or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company (DTC) and its participants pursuant to the rules and procedures adopted by DTC, unless the delivery of a fully registered note certificate is requested by the winning bidder and the issuance of such certificate is approved by the Town. See "Book-Entry Transfer System" herein.

**Authorization of the Notes and Use of Proceeds**

The following table sets forth the purposes, principal amounts of this issue, amounts authorized, statutory references, and dates of approval for the current offering of Notes.

Purpose	This Issue	Original Bond Authorization	Statutory Reference	Date of Approval
Navy Yard Reconstruction	\$ 1,600,000	\$ 1,600,000	Ch.44, s. 7(1)	10/17/2017, art. 10 B-4
East Park Reconstruction	2,535,000	2,535,000	Ch.44, s. 7(1)	10/17/2017, art. 10 B-3
Tonka Pressure Water Filter	520,000	520,000	Ch.44, s. 8(9)	4/23/2019, art. 15 D
	<u>\$ 4,655,000</u>			

**Tax Exemption**

In the opinion of Locke Lord LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is of the further opinion that interest on the Notes will not be included in computing the alternative minimum taxable income of Noteholders who are individuals. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on the Notes. The Notes will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. Failure to comply with these requirements may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The Town has covenanted to comply with such requirements to ensure that interest on the Notes will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Notes is exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Notes. Prospective Noteholders should be aware, however, that the Notes are included in the measure of Massachusetts estate and inheritance taxes, and the Notes and the interest thereon are included in the measure of certain Massachusetts corporate excise and

franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Notes or the income therefrom or any other tax consequences arising with respect to the Notes under the laws of any state other than Massachusetts.

To the extent the issue price of any maturity of the Notes is less than the amount to be paid at maturity of such Notes (excluding amounts stated to be interest and payable at least annually over the term of such Notes), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Notes which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Notes is either the reasonably expected initial offering price to the public, or the first price at which a substantial amount of such maturity of the Notes is sold to the public, as applicable. The original issue discount with respect to any maturity of the Notes accrues daily over the term to maturity of such Notes on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Notes to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Notes. Noteholders should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of purchasers who do not purchase such Notes in the original offering to the public at the reasonably expected initial offering price or, if applicable, the first price at which a substantial amount of such Notes is sold to the public.

Notes purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Notes, or, in some cases, at the earlier redemption date of such Notes ("Premium Notes"), will be treated as having amortizable note premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable note premium in the case of obligations, such as the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, a Noteholder's basis in a Premium Note will be reduced by the amount of amortizable note premium properly allocable to such Noteholder. Holders of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable note premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect the federal or state tax liability of a Noteholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Notes, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Notes in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Noteholder or the Noteholder's other items of income, deduction, or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Noteholders should consult with their own tax advisors with respect to such consequences.

### **Risk of Future Legislative Changes and/or Court Decisions**

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Massachusetts legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Notes will not have an adverse effect on the tax status of interest on the Notes or the market value or marketability of the Notes. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Notes from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, H.R. 1, signed into law on December 22, 2017, reduces the corporate tax rate, modifies individual tax rates, eliminates many deductions, and raises the income threshold above which the individual alternative minimum tax is invoked, among other things. These changes may increase, reduce or otherwise change the financial benefits of owning state and local government bonds or notes. Additionally, Noteholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Notes for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Notes may be affected and the ability of Noteholders to sell their Notes in the secondary market may be reduced. The

Notes are not subject to special mandatory redemption, and the interest rate on the Notes is not subject to adjustment, in the event of any such change in the tax treatment of interest on the Notes.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

### **Book-Entry Transfer System**

This section shall apply to Notes issued in book-entry form through the facilities of The Depository Trust Company, New York, NY ("DTC").

DTC will act as securities depository for the Notes. The Notes will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Note certificate will be issued for each interest rate, each in the aggregate principal amount bearing such interest rate, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each security deposited with DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with it; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the securities deposited with it unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer of such securities or its Paying Agent as soon as possible



after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer of such securities or its Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Issuer of such securities or its the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer of such securities or its Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the Issuer of such securities or its Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

## **Security and Remedies**

**Full Faith and Credit.** General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "*Serial Bonds and Notes*" under "TYPES OF OBLIGATIONS") and setoffs of state distributions as described below (see "*State Distributions*" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

**Tax Levy.** The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments". Specific provision is also made for including in the next tax levy payments of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid, if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "*Tax Limitations*" Under "PROPERTY TAXATION" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

**No Lien.** Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy or any other moneys to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "DEBT LIMITS" below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

**Court Proceedings.** Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "*Tax Limitations*" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take

into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

**Restricted Funds.** Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry fee, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, community preservation and affordable housing and related purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately held property in the city or town to certain energy conservation and renewable energy projects and may borrow to establish such fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

**State Distributions.** State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on "qualified bonds" (See "*Serial Bonds and Notes*" under "TYPES OF OBLIGATIONS" below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority if the city or town is within the territory served by the Authority, or for charges necessary to meet obligations under the Commonwealth's Clean Water and Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

**Bankruptcy.** Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under federal bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, however, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of

federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

### **Bank Eligibility**

The Notes will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

### **Opinion of Bond Counsel**

The purchaser will be furnished the legal opinion of the firm of Locke Lord LLP, Bond Counsel to the Town. The opinion will be dated and given on and will speak only as of the date of original delivery of the Notes to the successful bidder.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that they have independently verified the same.

### **Financial Advisory Services of Hilltop Securities Inc.**

Hilltop Securities Inc., Boston, Massachusetts, serves as financial advisor to the Town.

### **Disclosure of Significant Events**

In order to assist underwriters in complying with the requirements of paragraph (b)(5)(i)(C) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule") applicable to municipal securities having a stated maturity of 18 months or less, the Town will covenant for the benefit of the owners of the Notes to file with the Municipal Securities Rulemaking Board (the "MSRB"), notices of the occurrence of any of the following events with respect to the Notes within ten business days of such occurrence: (a) principal and interest payment delinquencies; (b) non-payment related defaults, if material; (c) unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (g) modifications to rights of owners of the Notes, if material; (h) bond calls, if material, and tender offers; (i) defeasances; (j) release, substitution or sale of property securing the repayment of the Notes, if material; (k) ratings changes on the Notes; (l) bankruptcy, insolvency, receivership or similar event of the Town; (m) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (n) appointment of a successor or additional trustee or the change of name of a trustee, if material; (o) incurrence of a financial obligation of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or state similar terms of a financial obligation of the Town, any of which affect the owners of the Notes, if material; and (p) default, acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Town, any of which reflect financial difficulties.

The covenant will be included in a Significant Events Disclosure Certificate to be executed by the signers of the Notes and incorporated by reference in the Notes. The sole remedy available to the owners of the Notes for the failure of the Town to comply with any provision of the certificate shall be an action for specific performance of the Town's obligations under the certificate and not for money damages; no other person shall have any right to enforce any provision of the certificate.

**In the past five years, the Town believes it has complied, in all material respects, with its previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.**



## TOWN OF NATICK, MASSACHUSETTS

### General

The Town of Natick, Massachusetts (the “Town” or “Natick”) is located in Middlesex County and is approximately 18 miles west of Boston. It is bordered by the towns of Wayland to the north, Weston and Wellesley to the east, Dover and Sherborn to the South, and the City of Framingham to the west. According to the 2010 Federal Census, Natick has a population of approximately 33,006 and occupies a land area of 16 square miles. Incorporated as a Town in 1781, Natick is governed by a five member Board of Selectmen, a Town Administrator, and a representative Town Meeting.

The following table sets forth the principal executive officers of the Town.

#### PRINCIPAL TOWN OFFICIALS

Office	Name	Manner of Selection and Term	Term Expires
Selectmen	Michael J. Hickey, Jr., Chair	Elected/3 Years	2020
	Jonathan Freedman, Clerk	Elected/3 Years	2021
	Sue Salamoff	Elected/3 Years	2022
	Richard Jennett, Jr.	Elected/3 Years	2022
	Karen Aldelman- Foster	Elected/3 Years	2020
Town Administrator	Melissa Malone	Appointed by the Board of Selectmen	2021
Deputy Town Administrator/ Finance Director and Interim Treasurer/Collector	John Townsend	Appointed by Town Administrator	Indefinite
Deputy Town Administrator/ Operations	William Chenard	Appointed by Town Administrator	Indefinite
Comptroller	Ari Mehta	Appointed by Town Selectmen	2020

### Municipal Services

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, public education in grades Pre-K through 12, water and sewer services, street maintenance, library, parks and recreational facilities, and disposal of garbage and rubbish.

The Massachusetts Water Resources Authority provides part of the Town’s sewage disposal services while the Massachusetts Bay Transportation provides commuter rail and bus service (see “Overlapping Debt” herein), which is augmented by the Natick Neighborhood Bus Service.

The South Middlesex Regional Vocational Technical School District provides vocational technical education in grades 9 through 12, while the Natick Housing Authority provides housing for eligible low income family, elderly and handicapped persons.

## Education

The Town's public school facilities include five elementary schools, two middle schools and one high school. The Town of Natick has a Pre-K through 12 grade plan system.

The following sets forth the recent trend in public school enrollments.

### PUBIC SCHOOL ENROLLMENTS – OCTOBER 1,

	Actual				
	2014	2015	2016	2017	2018
Elementary (PreK-4)	2,294	2,324	2,330	2,314	2,296
Middle School (5-8)	1,587	1,599	1,556	1,588	1,646
Senior High (9-12)	1,496	1,519	1,508	1,601	1,600
Total	<u>5,377</u>	<u>5,442</u>	<u>5,394</u>	<u>5,503</u>	<u>5,542</u>

Source: Massachusetts Department of Education and Town of Natick School Department.

## Industry and Commerce

Natick is primarily a residential community with extensive commercial and industrial activity. In 2016, 1,540 firms in the Town reported to the Massachusetts Division of Employment Security. In aggregate, these firms employed an average of 20,059 persons and had an annual payroll of approximately \$1,558,436,222. Trade, transportation and utilities were the largest source of employment with 31% of the total. Second in importance with 23% of the total employment was the education and health services sector.

The following table lists the major categories of income and employment from 2012 through 2016.

Industry	Calendar Year Average				
	2017	2016	2015	2014	2013
Construction	717	671	634	674	649
Manufacturing	184	182	168	131	100
Trade, Transportation and Utilities	5,199	6,272	6,546	6,738	6,777
Financial Activities	496	577	599	705	687
Professional and Business Services	4,693	4,617	4,543	4,556	5,033
Education and Health Services	4,475	4,631	4,675	4,711	4,600
Leisure and Hospitality	2,374	2,434	2,388	2,438	2,483
Information & Other Services	686	675	662	710	678
Total Employment	<u>18,107</u>	<u>19,388</u>	<u>20,215</u>	<u>20,663</u>	<u>21,007</u>
Number of Establishments	1,550	1,540	1,485	1,500	1,462
Total Annual Wage (000)	<u>\$ 1,616,286,879</u>	<u>\$ 1,558,436,222</u>	<u>\$ 1,413,968,869</u>	<u>\$ 1,450,048</u>	<u>\$ 1,437,202</u>
Average Weekly Wage	<u>\$ 1,343</u>	<u>\$ 1,293</u>	<u>\$ 1,178</u>	<u>\$ 1,191</u>	<u>\$ 1,172</u>

Source: Massachusetts Department of Labor and Workforce Development. Data based upon place of employment, not place of residence. The U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

## Largest Employers

The following table sets forth the largest employers in Natick, exclusive of the Town itself.

Name	Nature of Business	Approximate Current Employment
MathWorks, Inc.	Software Development/Sales	2,600
U.S. Army Natick Research, Development & Engineering Center	Government/Food Research	1,600
Natick Mall	Retail	1,200
Metro West Medical Center, Leonard Morse Campus	General Medical & Surgical Hospital	1,000
Waban, Inc.	Retail Administration/Management	300
Klockner-Moeller	Motor Controls & Switchgear Equipment	200
Cognex	Manufacturers of Vision Instrumentation/Administration	200
Snap-on-Tools	Automobile Service Equipment	170
Whitney Place	Assisted Living	170
Crowne Plaza Hotel	Hotel	150
Middlesex Savings Bank	Bank	100
Vision Sciences	Medical Instrumentation	80
Stop & Shop	Supermarket	70

SOURCE: Individual employers.

## Labor Force, Employment and Unemployment

According to the Massachusetts Department of Employment and Training preliminary data in December 2018, the Town had a total labor force of 21,128 of which 20,725 were employed and 403 or 1.9% were unemployed as compared with 2.7% for the Commonwealth.

The following table sets forth the Town's average labor force and unemployment rates for calendar years 2013 through 2017 and also the unemployment rates for the Commonwealth and the United States for the same period.

Year	Town of Natick			Massachusetts	U.S.
	Labor Force	Employment	Unemployment Rate	Unemployment Rate	Unemployment Rate
2017	20,340	19,798	2.7 %	3.7 %	4.4 %
2016	20,187	19,663	2.6	3.9	4.9
2015	20,173	19,504	3.3	4.8	5.3
2014	19,785	18,993	4.1	5.7	6.2
2013	19,488	18,566	4.7	6.7	7.4

SOURCE: Massachusetts Department of Employment and Training, Federal Reserve Bank of Boston and U.S. Bureau of Labor Statistics. Data based upon place of residence, not place of employment.

## Building Permits

The following table sets forth the trend in the number of building permits issued and their estimated dollar value.

Calendar Year	Totals	
	No.	Value
2018	2,042	\$ 128,005,533
2017	1,306	61,134,453
2016	1,404	134,838,835 (1)
2015	1,741	89,607,747
2014	1,435	83,651,233

SOURCE: Reports of the Building Inspector.

(1) Increase attributable to MathWorks expansion of campus for an estimated valuation of \$128,980,436.

## Transportation and Utilities

The principal highway serving the Town is the Massachusetts Turnpike, and retail trade is concentrated in the central business district and along Route 9. The excellent network of roads and public transportation makes it easy for residents to commute to work throughout eastern Massachusetts and southern New Hampshire, but primarily to Boston and along the Route 128 industrial complex.

The Massachusetts Bay Transportation Authority ("MBTA") provides commuter rail service to Boston and points in between, as well as regional bus service to nearby communities and connection to rapid transit service. The Town is also served by the Natick Neighborhood Bus Service, a system of Town-owned buses providing local service between neighborhoods and retail areas.

Gas and electric services are provided by established private utilities.

## Economic Development

The Town of Natick is committed to targeted and sustainable economic development to ensure the future of Natick's strong commercial and industrial tax base. Through the leadership of the Board of Selectmen, the Economic Development Committee ("EDC") and the Department of Community and Economic Development ("CED"), the Town focuses on numerous activities to promote and strengthen the local business environment, seeking to accomplish the following objectives:

- Leverage Natick's resources and location to attract business and private investment to Natick that maximizes tax revenue and provides diverse employment opportunities;
- Promote utilization and modernization of existing infrastructure and facilities to the fullest extent possible;
- Recognize and work to address neighborhood and community issues and concerns to ensure the preservation of neighborhood character and quality of life;
- Identify and plan for changing market trends and opportunities; and
- Market Natick for sustainable and diversified economic development through strategic partnerships and initiatives.

Natick has experienced continued, sustainable economic growth in 2018. As in past years, many large private projects were permitted or completed during 2018 that add to Natick's tax base and generate well-paying jobs for residents. This includes:

- The on-going 500,000 square foot, \$300+ million expansion of the MathWorks corporate offices at their Lakeside Campus (2+year project). The new campus will house approximately 2,000 new high tech jobs when completed.
- The new Exponent east coast headquarters broke ground in 2018. The 60,000 square foot new state of the art building is three times larger than Exponent's current Natick office and will allow the company to expand laboratory capabilities and over time grow to a staff of approximately 200.



- The Natick Mall welcomed the opening of the much anticipated Wegmans Supermarket in a former JC Penny space, permitted a Dave and Busters in a portion of a former Sears, and invested in significant site improvements to landscaping, lighting, and circulation.
- Natick Center, the heart of the community continues to thrive with the opening of the “Old Town Paint” site redevelopment into 32 units of housing (fully leased) and 4,000 square feet of commercial space.

The Town also advanced multiple key infrastructure projects in 2018, including:

- The design of the Route 27 North Main Street corridor, slated to receive nearly \$14+ million in federal and state construction funding in federal fiscal year 2019. This project will reconstruct a primary north-south transportation corridor in Town, complete with new sidewalks and bike lanes.
- The advertisement/bid for the construction of the Cochituate Rail Trail (CRT) – a 2.5 mile linear park connecting the heart of Natick Center and Commuter Rail station to key population and employment centers, including The MathWorks Lakeside Campus (est. 2,000+ employees), the corporate headquarters of TJX Companies (est. 4,000 employees), and the Natick Mall among others, as well as nearly 800 newly constructed housing units and 1/4 of Natick’s population (living within ½ mile of the CRT). Construction on the CRT is anticipated to cost approximately \$12+ million, and started in the Spring of 2019.
- The design of the Route 27 South Main Street corridor, funded with Town resources and slated to begin in 2019.

The Town is also committed to long range planning work in order to ensure the future of Natick’s economic strength. 2018 saw the advancement of several key planning initiatives, including:

- The execution of the Targeted Economic Development Plan (2017);
- The anticipated completion of the Natick 2030+ Comprehensive Master Plan, which is the first town-wide master plan since early 1970s. The plan will create a shared 10-20 year vision for Natick with an active implementation strategy outlining how to realize that vision.
- The completion of the Golden Triangle Study, in partnership with the City of Framingham, which is a targeted land use and mobility plan for the Exit 13/Speen/Rt. 30 area of Town. The Golden Triangle is home to some of the region’s largest employers and taxpayers, including TJX, Natick Mall, Shoppers World (Framingham), MathWorks’ new Lakeside Campus, and many other retail and commercial destinations.
- The Natick Center Placemaking study, in partnership with the Metropolitan Area Planning Council and the National Foundation for the Arts, will culminate with the installation of several public art installations and recommended way-finding improvements to Natick Center.

As in years past, the EDC and the Department of Community and Economic Development work closely with local boards and commissions, as well as members of Natick’s business community (e.g. Natick Center Associates), state legislators, and regional economic development-focused organizations (495/MetroWest Partnership, MetroWest Chamber, etc.) to identify, differentiate and promote Natick’s unique advantages and resources as a thriving community in Boston’s MetroWest region.

Some examples of Natick’s continued commitment to its economic position include:

- In 2014/2015, the Town invested in and implemented an electronic permitting system to allow for more efficient and transparent permitting processes.
- In 2015, the Town appropriated funding (\$440,000 total) for a Targeted Economic Development Plan and a Comprehensive Master Plan.
- Continued review and rewriting of the Town’s Zoning By-laws and Map to update and simplify planning and permitting processes.

Natick emerged from the recent economic downturn as a leader in the MetroWest market. The strong and growing commercial and retail sector combined with the community’s foresight to invest in planning for the future, the community is in a strong position to capitalize on its assets to ensure commercial diversity and sustainable business growth.

## Tax Agreements

On December 20, 2004, the Town entered into a 20 year TIF agreement with The MathWorks, Inc. commencing on the first day of fiscal year 2006. MathWorks, Inc. has committed to maintaining its then current employment level of 782 jobs in the Town, and create an additional 400 new jobs over the term of the Agreement and invest a minimum of \$54 million in the purpose of the property and related improvement costs, with on-going personal property expenditures of \$96 million over the term of the TIF Agreement, and pay all municipal permit fees required in connection with such improvements.

The Town entered into a second 20 year TIF Agreement with MathWorks, Inc. on June 1, 2009, commencing on the first day of fiscal year 2011. MathWorks, Inc. has committed to maintaining its then current employment level of 1,454 jobs in the Town, and create an additional 600 new jobs over the term of the Agreement and invest a minimum of \$90 million in the purpose of the existing buildings and the new building and parking garage construction along with related improvements, with ongoing personal property expenditures of \$30 million over the term of this TIF Agreement, and pay all municipal permit and other mitigation fees required in connection with such improvements. It should be noted that the vast majority of The MathWorks personal property is exempt from local taxation due to its status as a manufacturing corporation.

## Key Economic Indicators:

Population:

2000: 32,170

2010: 33,006

2017 (estimate): 36,426

Unemployment Rate September 2018: 2.5%

Percent of population with college degrees or higher: 67.5%

Median Single-Family Home Price (2018): \$613,133 (increase of 7.4% from 2017)

Employed individuals (September 2018): 20,489

## Age, Income and Wealth Levels

The following table compares the age, income and wealth level averages for the Town, the Commonwealth and the United States.

	<u>Natick</u>	<u>Massachusetts</u>	<u>U.S.</u>
Median Age			
2010	49.3	39.1	37.2
2000	38.2	36.5	35.3
Median Family Income			
2010	\$ 118,527	\$ 81,165	\$ 51,144
2000	85,715	61,664	50,046
Per Capita Income			
2010	\$ 49,792	\$ 33,966	\$ 27,334
2000	36,358	25,952	21,587

SOURCE: U.S. Bureau of the Census.

On the basis of the 2010 Federal Census, the Town has a population density of approximately 2,187 persons per square mile.

<b>POPULATION TRENDS</b>			
<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>
33,006	32,170	30,510	29,469

SOURCE: Federal Census.

## PROPERTY TAXATION

### Tax Levy Computation

The principal revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Tax Limitations" below.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay" below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "Taxation to Meet Deficits").

The table below illustrates the trend in the manner in which the tax levy has been determined.

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
Gross amount to be raised:					
Appropriations	\$ 143,722,791	\$ 154,279,700	\$ 160,840,570	\$ 171,053,178	\$ 170,375,118
Other Local Expenditures	604,140	291,510	352,530	889,335	1,186,422
State & County Charges	1,539,095	1,352,418	1,449,503	1,348,800	1,435,887
Overlay Reserve	1,160,387	997,192	1,283,443	1,256,449	1,591,798
Total Gross Amount to be Raised	<u>\$ 147,026,413</u>	<u>\$ 156,920,820</u>	<u>\$ 163,926,046</u>	<u>\$ 174,547,762</u>	<u>\$ 174,589,224</u>
Less Estimated Receipts and Other Revenue:					
Estimated Receipts from State	\$ 12,852,023	\$ 13,016,665	13,548,712	13,895,997	14,553,519
Estimated Receipts - Local	27,560,296	27,586,735	28,436,763	31,716,664	34,637,341
Available Funds Appropriated:					
Free Cash	5,668,115	5,100,289	9,031,776	9,428,400	8,473,346
Revenue Sharing	-	-	-	-	-
Other Available Funds	4,415,367	11,400,088	16,223,117	12,118,222	5,543,143
Free Cash & Other Revenue Used to Reduce the Tax Rate	-	-	-	-	-
Total Estimated Receipts & Revenue	<u>\$ 50,495,801</u>	<u>\$ 57,103,777</u>	<u>\$ 67,240,368</u>	<u>\$ 67,159,283</u>	<u>\$ 63,207,349</u>
Next Amount to be Raised (Tax Levy)	<u>\$ 96,530,612</u>	<u>\$ 99,817,043</u>	<u>\$ 96,685,678</u>	<u>\$ 107,388,479</u>	<u>\$ 111,381,876</u>
Property Valuation	<u>\$ 6,984,848,900</u>	<u>\$ 7,355,714,270</u>	<u>\$ 7,703,653,670</u>	<u>\$ 8,229,002,220</u>	<u>\$ 8,763,326,170</u>

### Assessed Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years, or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

The Town of Natick's first revaluation was completed for use in fiscal 1984. Professional updates of the revaluation have been subsequently conducted every 5 years, most recently for use in fiscal 2014. The next revaluation will occur in fiscal 2019.

The table below sets forth the recent trend in assessed valuations of real estate and personal property of the Town, tax rates, tax levies and tax levies per capita.

Fiscal Year	Real Estate Property Valuation	Personal Property Valuation	Total Assessed Valuation	Valuation Per Capita(1)	Tax Rate	Gross Tax Levy
2019	\$ 8,612,057,980	\$ 151,268,190	\$ 8,763,326,170	\$ 259,577	\$ 12.71	\$ 111,381,876
2018	8,075,130,500	153,871,720	8,229,002,220	243,750	13.05	107,388,479
2017	7,553,572,500	150,081,170	7,703,653,670	228,189	13.49	96,685,678
2016	7,220,340,900	135,373,370	7,355,714,270	217,883	13.57	99,817,043
2015	6,862,370,900	122,478,000	6,984,848,900	206,897	13.82	96,530,612

(1) Based on 2012 Federal Census of 33,760 (estimate)

(2) Revaluation year.

### Classification of Property

The following is a breakdown of the Town's assessed valuation of real estate and personal property in fiscal years 2017, 2018 and 2019.

	Fiscal 2017		Fiscal 2018		Fiscal 2019	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$ 6,001,827,900	77.9 %	\$ 6,501,392,400	79.0 %	\$ 6,986,988,160	79.7 %
Commercial	1,509,933,900	19.6	1,529,803,200	18.6	1,581,359,820	18.0
Industrial	41,810,700	0.5	43,934,900	0.5	43,710,000	0.5
Personal	150,081,170	1.9	153,871,720	1.9	151,268,190	1.7
Total Valuation	<u>\$ 7,703,653,670</u>	<u>100.0 %</u>	<u>\$ 8,229,002,220</u>	<u>100.0 %</u>	<u>\$ 8,763,326,170</u>	<u>100.0 %</u>

### Largest Taxpayers

The following is a list of the largest taxpayers in the Town for fiscal 2019 and the assessed valuation and tax levy for each. All of the largest taxpayers listed below are current in their tax payments.

Name	Nature Business	Fiscal 2019 Assessed Value	Fiscal 2019 Tax Levy	% of Total Levy
General Growth Properties	Natick Mall-Retail/Condos	\$ 339,777,360	\$ 4,318,570	3.88 %
Mathworks, Inc. (1)	Software Development/Sales	166,950,660	2,121,943	1.91
Avalon Natick LLC	Apartments	85,711,140	1,089,389	0.98
HC Atlantic Development	Office/R&D	68,955,400	876,423	0.79
Franchi Pasquale	Apartment, Office	46,041,500	585,187	0.53
Cognex Corp.	R&D/Office	42,695,500	542,660	0.49
Natick Village Invest. Ltd. Part.	Condos-Real Estate	42,201,700	536,384	0.48
DDH Hotel LLC	Hotel	39,541,880	502,577	0.45
MCREF Natick	Management Services	37,396,480	475,309	0.43
Cloverleaf Apartments LLC	Apartments	35,772,400	454,667	0.41
Total		\$ 905,044,020	\$ 11,503,109	10.33 %

(1) Includes former Boston Scientific.



## State Equalized Valuations

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality as of January 1 of even numbered years. This is known as the "equalized value." The following table sets forth the trend in equalized valuations of the Town of Natick.

<u>January 1</u>	<u>State Equalized Valuations</u>
2018	\$ 8,526,179,100
2016	7,812,219,900
2014	6,961,523,100
2012	6,576,956,800
2010	7,121,910,600
2008	6,908,380,200

Local assessed valuations are determined annually as of January 1 and used for the fiscal year beginning on the next July 1.

## Abatements and Overlay

The Town is authorized to increase each tax levy by an amount approved by the Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the resultant "overlay deficit" is required to be added to the next tax levy. Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue.

The following table sets forth the amount of the overlay reserve for fiscal years 2014 through 2018 and the abatements granted as of June 30, 2018 for each year shown.

<u>Fiscal Year</u>	<u>Overlay Reserve</u>			<u>Abatements Granted through June 30, 2018</u>
	<u>Net Tax Levy (1)</u>	<u>Dollar Amount</u>	<u>As a % of Net Levy</u>	
2018	\$ 106,132,030	\$ 1,256,449	1.2 %	\$ 309,298
2017	102,638,844	1,283,443	1.3	407,599
2016	98,819,851	997,192	1.0	435,611
2015	95,370,225	1,160,387	1.2	452,351
2014	92,086,763	1,349,903	1.5	339,535

(1) Tax levy prior to addition of overlay reserve.

## Sale of Tax Receivables

Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk.

## Tax Collections

Beginning in fiscal 1991, the Town instituted the quarterly tax billing statute. Under that statute preliminary tax payments are due August 1 and November 1, with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 percent per annum. Real property (land and buildings) is subject to a lien for the

taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The following table compares the Town's net tax collections with its net (gross tax levy less overlay reserve for abatements) tax levies for the following fiscal years.

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy (1)	% of Net Collected At Fiscal Year End (2)(3)		% of Net Collected As of June 30, 2018 (3)(4)	
				Dollar	Percentage	Dollar	Percentage
2018	\$ 107,388,479	\$ 1,256,449	\$ 106,132,030	\$ 105,942,493	99.8 %	\$ 105,942,493	99.8 %
2017	103,922,287	1,283,443	102,638,844	102,539,858	99.9	102,539,858	99.9
2016	99,817,043	997,192	98,819,851	98,687,101	99.9	98,687,101	99.9
2015	96,530,612	1,160,387	95,370,225	93,701,192	98.2	95,618,975	100.3
2014	93,436,666	1,349,903	92,086,763	91,689,063	99.6	92,832,011	100.8

(1) Net of overlay for abatements.

(2) i.e., at the end of the fiscal year for which levied.

(3) Actual collections less refunds, but excluding proceeds of tax titles and possessions attributable to that year's levy. Non-cash credits which may be abated later are not included in the amount allowed for refunds here.

(4) Collections for the current year are comparable to previous fiscal years.

## Tax Titles and Possessions

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for non-payment of taxes thereon. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments) it can be foreclosed by petition to the Land Court.

Upon such foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of tax and charging surplus.

The table below sets forth the amount of tax titles and possessions outstanding at the end of the past five fiscal years.

Fiscal Year	Total Tax Titles and Tax Possessions
2018	\$ 2,266,526
2017	2,115,033
2016	2,131,056
2015	2,193,954
2014	2,042,542

## Taxation to Meet Deficits

As noted elsewhere (see "Abatements and Overlay" above) overlay deficits, i.e., tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e., those resulting from non-property tax revenues being less than anticipated, are also required to be added to the next tax levy (at least to the extent not covered by surplus revenue). Amounts lawfully

expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g., civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

The Town of Natick has not experienced any revenue deficits in any of the last five fiscal years. To the extent there have been any unprovided or overdrawn accounts, including overlay deficits, such deficiencies have been provided for, in accordance with Massachusetts law, in the following year's tax levy.

Cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence. See "TOWN FINANCES - Free Cash".

## **Tax Limitations**

Chapter 59, Section 21C of the General Laws, known as Proposition 2½, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city vote by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year."

Proposition 2½ further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amounts required to pay specified capital outlay expenditures. In addition, the city council of a city, with the approval of the mayor if required, or the board of

selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the Massachusetts Water Resources Authority and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option."

The following table sets forth the recent trend in the Town's tax levies and levy limits under Proposition 2½.

Fiscal Year	Tax Levy	Maximum Levy Limit	Under(Over) Maximum Levy Limit	Primary Levy Limit(1)	Under(Over) Primary Levy Limit
2019	\$ 111,381,876	\$ 111,530,486	\$ 148,610	\$ 219,083,154	\$ 107,701,278
2018	107,388,479	107,394,818	6,339	205,725,056	98,336,577
2017	103,922,288	103,992,635	70,347	192,591,342	88,669,054
2016	99,817,043	99,819,851	2,808	183,892,857	84,075,814
2015	96,530,612	96,764,880	234,268	174,621,223	78,090,611

(1) Based on 2½ percent of assessed valuation.

### **Pledged Taxes**

Taxes on the increased value of certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. (See "Tax Increment Financing for Development Districts" below).

### **Initiative Petitions**

Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted such amendments must be approved by two successive legislatures and then by the voters at a state election.

### **Community Preservation Act**

The Massachusetts Community Preservation Act ("CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "Tax Limitations" under "PROPERTY TAXATION" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the



surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

**The Town has not adopted the Community Preservation Act.**

## TOWN FINANCES

### Budget and Appropriation Process

The annual appropriations of the Town are ordinarily made at the annual meetings which take place in April and October. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory or finance committee. The committee (or the board of selectmen if authorized by by-law) is required to submit a budget of proposed expenditures at the annual town meeting.

Town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and, under certain circumstances and subject to certain limits and requirements, the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department.

Water and sewer department expenditures are generally included in the budgets adopted by city councils and town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated.

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy.

### Budget Trends

The following table sets forth the trend in operating budgets for fiscal years 2016 through 2020.

#### BUDGET COMPARISON (000)

	Fiscal 2020	Fiscal 2019	Fiscal 2018	Fiscal 2017	Fiscal 2016 (3)
Education	\$ 67,810	\$ 64,952	\$ 61,750	\$ 59,302	\$ 55,065
Public Works	8,859	8,169	7,738	7,485	6,900
Health and Human Services	2,611	2,544	2,332	2,279	2,187
Public Safety	16,569	15,909	14,925	14,953	14,872
General Government	7,503	7,388	7,727	6,646	5,860
Library Services	2,466	2,429	2,394	2,275	2,244
Facilities Management (1)	3,426	3,309	3,090	3,017	2,932
Pensions & Annuities	10,071	9,416	8,785	8,237	7,688
Interest	6,428	3,679	2,300	2,449	2,706
Debt Maturities	9,672	8,552	8,789	8,047	8,011
Insurance	17,550	16,583	17,581	16,383	18,027
Capital Equipment & Improvements (2)	3,617	2,962	1,977	1,159	908
Unclassified	371	285	650	250	250
Golf Course Enterprise Fund	944	914	929	927	910
Water & Sewer Enterprise Fund	14,192	14,248	12,893	12,601	12,432
Totals	\$172,089	\$ 161,339	\$ 153,860	\$ 146,010	\$ 140,992

- (1) Beginning July 1, 2012, all custodians and building maintenance personnel were consolidated into the Department of Facilities Management. This resulted in a reduction of the Education and Public Works budgets and the creation of the new department.
- (2) Funded by the Capital Stabilization Fund.
- (3) Does not include school related transportation articles which total \$371,573, or Cherry Sheet Assessments which total \$1,536,590.

## Accounting Policies

See attached audited financial statements of the Town.

### Revenues

Property Taxes: Property taxes are the major source of revenue for the Town. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see “PROPERTY TAXATION –Tax Limitations” above.

Federal Aid: The following is a list of federal monies received by the Town in each of the most recent fiscal years.

<u>Fiscal Year</u>	<u>Total Federal Aid</u>
2018	\$ 2,174,398
2017	1,570,330
2016	1,895,937
2015	2,000,670
2014	1,594,012

State Aid: In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State’s personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality’s state aid entitlement is based on a number of different formulas, of which the “schools” and “lottery” formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality’s state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1996, both the State Legislature (by statute, repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. From fiscal 1994 to the present, the Town’s net school spending has exceeded the minimum required local contribution.

The following table sets forth the amount of state aid to the Town in recent years and the budgeted amount for fiscal year 2019.

<u>Fiscal Year</u>	<u>Total State Aid</u>
2019 (estimate)	\$ 14,084,814
2018	13,537,852
2017	13,173,996
2016	12,652,433
2015	12,528,089
2014	12,070,791
2013	11,695,195

State School Building Assistance Program: Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

The range of reimbursement rates for new project grant applications submitted to the Authority on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

Motor Vehicle Excise: An excise is imposed on the registration of motor vehicles (subject to exemptions) at a uniform rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 per cent per annum. Provision is also made for the non-renewal of registration and operating license by the registrar of motor vehicles.

The following table sets forth the amount of motor vehicle excise taxes received in each of the most recent fiscal years:

<u>Fiscal Year</u>	<u>Motor Vehicle Excise Taxes (1)</u>
2018	\$ 6,020,956
2017	5,566,508
2016	5,460,485
2015	5,191,837
2014	4,938,260

(1) Net after refunds. Includes receipts for prior years.



Room Occupancy Tax: Local governments may tax the provision of hotel, motel, and lodging house and bed and breakfast rooms at a rate not to exceed six percent (6%) of the cost of renting such rooms. This tax is paid by the operator of the establishment to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located. The Town has voted to impose the room occupancy excise tax and increased the rate to the statutory maximum of 6% in October 2009.

Local Option Meals Tax: The local meals excise tax, effective for sales of restaurant meals on or after October 1, 2009, is a three-fourths percent tax on the gross receipts of a vendor from the sale of the restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The Town Meeting voted to accept the meals tax in October 2009.

The following table shows the actual receipts for the room occupancy and the local meals excise taxes in each of the most recent fiscal years:

<u>Fiscal Year</u>	<u>Other Tax Receipts (1)</u>
2018	\$ 2,400,854
2017	2,369,520
2016	918,893
2015	2,279,398 (2)
2014	2,207,971

(1) Includes increased revenue from hotel/motel and meals excise taxes.

(2) \$1,300,000 was appropriated to the Capital Stabilization Fund.

## **Investment of Town Funds**

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

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the MMDT's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with Section 54 of Chapter 44, which permits a broader range of investments than Section 55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by Sections 54 and 55 do not apply to city and town retirement systems.

A breakdown of such investments may be obtained from the Town Treasurer.

## **Annual Audits**

The Town's most recent audit was prepared by CliftonLarsonAllen LLP, for the fiscal year ending June 30, 2018. Prior audits were prepared by Sullivan, Rogers & Company, LLC for the fiscal years ending June 30, 2010 through June 30, 2012. The Town's audit for fiscal 2018 is attached hereto as Appendix A. Copies of previous years' audits are available upon request.

The attached audit speaks only as of its date, and only to the matters expressly set forth herein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

## **Financial Statements**

Set forth on the following pages are Governmental Funds Balance Sheets for the fiscal years ended June 30, 2018, June 30, 2017 and June 30, 2016, and Statements of Revenues, Expenditures and Changes in Governmental Fund Balances for fiscal years ended June 30, 2018, June 30, 2017, June 30, 2016, June 30, 2015 and June 30, 2014. Said statements have been extracted from the audited financial statements of the Town.

**TOWN OF NATICK, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**June 30, 2018 (1)**

	General	Kennedy Middle School	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 46,942,981	\$ -	\$ -	\$ 46,942,981
Investments	8,090,943	-	-	8,090,943
Receivables, net of allowance for uncollectible amounts				
Real estate and personal property taxes	1,112,682	-	-	1,112,682
Real estate tax deferrals	292,206	-	-	292,206
Tax and trash liens	2,298,240	-	-	2,298,240
Motor vehicle and other excise taxes	334,996	-	-	334,996
Special assessments	13,282	-	55,388	68,670
Departmental and other	412,531	-	-	412,531
Intergovernmental	-	1,716,824	1,694,268	3,411,092
Due from other fiduciary funds	3,988	-	-	3,988
Restricted assets:				
Cash and cash equivalents	1,687,517	628,031	15,245,906	17,561,454
Investments	2,274,530	-	1,649,122	3,923,652
<b>TOTAL ASSETS</b>	<b>\$ 63,463,896</b>	<b>\$ 2,344,855</b>	<b>\$ 18,644,684</b>	<b>\$ 84,453,435</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Warrants payable	\$ 1,209,140	\$ 1,178,495	\$ 1,015,399	\$ 3,403,034
Accrued payroll	9,255,189	-	779,709	10,034,898
Tax refunds payable	709,586	-	-	709,586
Other liabilities	461,576	-	-	461,576
<b>TOTAL LIABILITIES</b>	<b>\$ 11,635,491</b>	<b>\$ 1,178,495</b>	<b>\$ 1,795,108</b>	<b>\$ 14,609,094</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes collected in advance	\$ 161,381	\$ -	\$ -	\$ 161,381
Unavailable Revenue	3,857,884	-	55,388	3,913,272
Total Deferred Inflows of Resources	4,019,265	-	55,388	4,074,653
<b>FUND BALANCES:</b>				
Nonspendable	-	-	14,482	14,482
Restricted	3,962,047	1,166,360	17,333,825	22,462,232
Committed	20,363,875	-	-	20,363,875
Assigned	916,397	-	-	916,397
Unassigned	22,566,821	-	(554,119)	22,012,702
<b>TOTAL FUND BALANCES</b>	<b>47,809,140</b>	<b>1,166,360</b>	<b>16,794,188</b>	<b>65,769,688</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 63,463,896</b>	<b>\$ 2,344,855</b>	<b>\$ 18,644,684</b>	<b>\$ 84,453,435</b>

(1) Extracted from the audited financial statements of the Town.

**TOWN OF NATICK, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**June 30, 2017 (1)**

	General	Saxonville Land Acquisition	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 45,781,903	\$ -	\$ -	\$ 45,781,903
Investments	8,178,628	-	-	8,178,628
Receivables, net of allowance for uncollectible amounts				
Real estate and personal property taxes	1,247,756	-	-	1,247,756
Real estate tax deferrals	393,721	-	-	393,721
Tax and trash liens	2,084,786	-	-	2,084,786
Motor vehicle and other excise taxes	492,597	-	-	492,597
Special assessments	15,598	-	62,770	78,368
Departmental and other	354,701	-	-	354,701
Intergovernmental	177,703	-	858,956	1,036,659
Due from other fiduciary funds	11,924	-	-	11,924
Restricted assets:				
Cash and cash equivalents	791,958	700	19,638,710	20,431,368
Investments	2,157,473	-	1,696,511	3,853,984
<b>TOTAL ASSETS</b>	<b>\$ 61,688,748</b>	<b>\$ 700</b>	<b>\$ 22,256,947</b>	<b>\$ 83,946,395</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Warrants payable	\$ 1,164,893	\$ -	\$ 2,430,795	\$ 3,595,688
Accrued payroll	7,321,163	-	627,453	7,948,616
Tax refunds payable	672,107	-	-	672,107
Other liabilities	584,599	-	-	584,599
Short-Term Notes Payable	-	2,960,000	-	2,960,000
<b>TOTAL LIABILITIES</b>	<b>\$ 9,742,762</b>	<b>\$ 2,960,000</b>	<b>\$ 3,058,248</b>	<b>\$ 15,761,010</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes collected in advance	\$ 64,316	\$ -	\$ -	\$ 64,316
Unavailable Revenue	4,152,931	-	62,770	4,215,701
Total Deferred Inflows of Resources	4,217,247	-	62,770	4,280,017
<b>FUND BALANCES:</b>				
Nonspendable	-	-	14,661	14,661
Restricted	2,949,431	-	19,401,478	22,350,909
Committed	17,050,350	-	-	17,050,350
Assigned	1,943,249	-	-	1,943,249
Unassigned	25,785,709	(2,959,300)	(280,210)	22,546,199
<b>TOTAL FUND BALANCES</b>	<b>47,728,739</b>	<b>(2,959,300)</b>	<b>19,135,929</b>	<b>63,905,368</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 61,688,748</b>	<b>\$ 700</b>	<b>\$ 22,256,947</b>	<b>\$ 83,946,395</b>

(1) Extracted from audited financial statements of the Town.



**TOWN OF NATICK, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**June 30, 2016 (1)**

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 45,446,777	\$ -	\$ 45,446,777
Investments	4,436,095	-	4,436,095
Receivables, net of allowance for uncollectible amounts			
Real estate and personal property taxes	980,442	-	980,442
Real estate tax deferrals	402,093	-	402,093
Tax and trash liens	2,130,746	-	2,130,746
Motor vehicle and other excise taxes	408,189	-	408,189
Special assessments	18,391	71,143	89,534
Departmental and other	423,471	-	423,471
Intergovernmental	169,159	377,884	547,043
Due from other funds	9,932	-	9,932
Restricted assets:			
Cash and cash equivalents	976,921	18,080,821	19,057,742
Investments	718,830	2,970,801	3,689,631
<b>TOTAL ASSETS</b>	<u>\$ 56,121,046</u>	<u>\$ 21,500,649</u>	<u>\$ 77,621,695</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Warrants payable	\$ 1,635,475	\$ 1,282,211	\$ 2,917,686
Accrued payroll	6,047,987	563,916	6,611,903
Tax refunds payable	2,443,324	-	2,443,324
Other liabilities	242,865	-	242,865
Short-Term Notes Payable	-	1,525,000	1,525,000
<b>TOTAL LIABILITIES</b>	<u>\$ 10,369,651</u>	<u>\$ 3,371,127</u>	<u>\$ 13,740,778</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	\$ 4,182,588	\$ 71,143	\$ 4,253,731
<b>FUND BALANCES:</b>			
Nonspendable	-	14,616	14,616
Restricted	1,695,751	19,707,386	21,403,137
Committed	13,203,273	-	13,203,273
Assigned	1,485,418	-	1,485,418
Unassigned	25,184,365	(1,663,623)	23,520,742
<b>TOTAL FUND BALANCES</b>	<u>41,568,807</u>	<u>18,058,379</u>	<u>59,627,186</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 56,121,046</u>	<u>\$ 21,500,649</u>	<u>\$ 77,621,695</u>

(1) Extracted from audited financial statements of the Town.

**TOWN OF NATICK, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**June 30, 2018 (1)**

	General	Kennedy Middle School	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Real estate and personal property taxes	\$ 107,073,261	\$ -	\$ -	\$ 107,073,261
Motor vehicle and other excise taxes	5,819,560	-	-	5,819,560
Hotel/motel tax	1,486,764	-	-	1,486,764
Tax and trash liens	382,405	-	-	382,405
Payments in lieu of taxes	41,037	-	-	41,037
Trash disposal	981,895	-	-	981,895
Intergovernmental	28,144,537	1,716,824	8,496,194	38,357,555
Special Assessments	2,976	-	8,601	11,577
Penalties and interest on taxes	428,117	-	-	428,117
Licenses and permits	2,801,420	-	-	2,801,420
Fines and forfeitures	210,716	-	-	210,716
Departmental and other	2,248,812	-	8,205,752	10,454,564
Contributions	-	-	251,940	251,940
Investment income	889,424	-	(4,346)	885,078
<b>TOTAL REVENUES</b>	<b>\$ 150,510,924</b>	<b>\$ 1,716,824</b>	<b>\$ 16,958,141</b>	<b>\$ 169,185,889</b>
<b>Expenditures:</b>				
Current:				
General government	\$ 7,066,127	\$ -	\$ 952,624	\$ 8,018,751
Public safety	16,639,582	-	585,013	17,224,595
Education	76,864,578	3,525,464	13,581,081	93,971,123
Public works	12,152,901	-	7,069,187	19,222,088
Health and human services	1,836,417	-	369,960	2,206,377
Culture and recreation	486,611	-	1,435,443	1,922,054
Library	2,323,914	-	35,331	2,359,245
Pension benefits	8,783,214	-	-	8,783,214
Employee benefits	15,081,414	-	-	15,081,414
Property and liability insurance	654,557	-	-	654,557
State and county charges	1,467,927	-	-	1,467,927
Debt service:				
Principal	7,756,159	-	-	7,756,159
Interest	2,473,648	-	-	2,473,648
<b>TOTAL EXPENDITURES</b>	<b>\$ 153,587,049</b>	<b>\$ 3,525,464</b>	<b>\$ 24,028,639</b>	<b>\$ 181,141,152</b>
Excess (deficiency) of revenues over Expenditures	(3,076,125)	(1,808,640)	(7,070,498)	(11,955,263)
<b>Other Financing Sources (Uses):</b>				
Proceeds of bonds and notes	-	2,975,000	8,515,700	11,490,700
Premium from issuance of bonds and notes	-	-	414,300	414,300
Transfers in	3,487,126	-	166,262	3,653,388
Transfers out	(330,600)	-	(1,408,205)	(1,738,805)
<b>Total Other Financing Sources (Uses):</b>	<b>3,156,526</b>	<b>2,975,000</b>	<b>7,688,057</b>	<b>13,819,583</b>
Net change in Fund Balances	80,401	1,166,360	617,559	1,864,320
<b>Fund Balances, at Beginning of Year</b>	<b>47,728,739</b>	<b>-</b>	<b>16,176,629</b>	<b>63,905,368</b>
<b>Fund Balances, at End of Year</b>	<b>\$ 47,809,140</b>	<b>\$ 1,166,360</b>	<b>\$ 16,794,188</b>	<b>\$ 65,769,688</b>

(1) Extracted from the audited financial statements of the Town.

**TOWN OF NATICK, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
June 30, 2017(1)**

	General	Saxonville Land Acquisition	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Real estate and personal property taxes	\$ 104,641,176	\$ -	\$ -	\$ 104,641,176
Motor vehicle and other excise taxes	5,580,342	-	-	5,580,342
Hotel/motel tax	1,429,017	-	-	1,429,017
Tax and trash liens	513,148	-	-	513,148
Payments in lieu of taxes	36,216	-	-	36,216
Trash disposal	987,074	-	-	987,074
Intergovernmental	26,556,328	-	7,159,265	33,715,593
Special Assessments	6,706	-	11,519	18,225
Penalties and interest on taxes	446,186	-	-	446,186
Licenses and permits	4,590,192	-	-	4,590,192
Fines and forfeitures	174,637	-	-	174,637
Departmental and other	2,122,500	-	8,519,852	10,642,352
Contributions	-	11,700	426,581	438,281
Investment income	651,035	-	5,168	656,203
Other	201,117	-	12,000	213,117
<b>TOTAL REVENUES</b>	<b>\$ 147,935,674</b>	<b>\$ 11,700</b>	<b>\$ 16,134,385</b>	<b>\$ 164,081,759</b>
<b>Expenditures:</b>				
Current:				
General government	\$ 6,483,786	\$ 6,071,000	\$ 1,465,204	\$ 14,019,990
Public safety	15,637,401	-	466,637	16,104,038
Education	71,871,266	-	13,109,710	84,980,976
Public works	11,472,678	-	4,900,708	16,373,386
Health and human services	1,838,880	-	342,904	2,181,784
Culture and recreation	409,871	-	1,458,455	1,868,326
Library	2,327,829	-	44,513	2,372,342
Pension benefits	8,215,785	-	-	8,215,785
Employee benefits	14,173,583	-	-	14,173,583
Property and liability insurance	589,904	-	-	589,904
State and county charges	1,351,730	-	-	1,351,730
Debt service:				
Principal	7,625,569	-	-	7,625,569
Interest	2,130,397	-	-	2,130,397
<b>TOTAL EXPENDITURES</b>	<b>\$ 144,128,679</b>	<b>\$ 6,071,000</b>	<b>\$ 21,788,131</b>	<b>\$ 171,987,810</b>
Excess (deficiency) of revenues over Expenditures	3,806,995	(6,059,300)	(5,653,746)	(7,906,051)
<b>Other Financing Sources (Uses):</b>				
Proceeds of bonds and notes	-	-	9,074,300	9,074,300
Premium from issuance of bonds and notes	-	-	1,059,358	1,059,358
Sale of Capital Assets	70,284	-	-	70,284
Transfers in	3,487,848	600,000	325,363	4,413,211
Transfers out	(1,205,195)	-	(1,227,725)	(2,432,920)
<b>Total Other Financing Sources (Uses):</b>	<b>2,352,937</b>	<b>600,000</b>	<b>9,231,296</b>	<b>12,184,233</b>
Net change in Fund Balances	6,159,932	(5,459,300)	3,577,550	4,278,182
<b>Fund Balances, at Beginning of Year</b>	<b>41,568,807</b>	<b>2,500,000</b>	<b>15,558,379</b>	<b>59,627,186</b>
<b>Fund Balances, at End of Year</b>	<b>\$ 47,728,739</b>	<b>\$ (2,959,300)</b>	<b>\$ 19,135,929</b>	<b>\$ 63,905,368</b>

(1) Extracted from audited financial statements of the Town.

**TOWN OF NATICK, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**June 30, 2016(1)**

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Real estate and personal property taxes	\$ 99,857,340	\$ -	\$ 99,857,340
Motor vehicle and other excise taxes	5,445,148	-	5,445,148
Hotel/motel tax	1,519,913	-	1,519,913
Tax and trash liens	616,220	-	616,220
Payments in lieu of taxes	34,738	-	34,738
Trash disposal	866,220	-	866,220
Intergovernmental	22,535,553	7,630,348	30,165,901
Special Assessments	3,924	28,485	32,409
Penalties and interest on taxes	411,873	-	411,873
Licenses and permits	2,290,110	-	2,290,110
Fines and forfeitures	224,755	347,974	572,729
Departmental and other	2,652,548	7,798,063	10,450,611
Contributions	-	412,573	412,573
Investment income	474,129	53,835	527,964
<b>TOTAL REVENUES</b>	<b>\$ 136,932,471</b>	<b>\$ 16,271,278</b>	<b>\$ 153,203,749</b>
<b>Expenditures:</b>			
Current:			
General government	\$ 5,582,355	\$ 2,573,687	\$ 8,156,042
Public safety	14,637,773	409,530	15,047,303
Education	63,824,215	12,403,424	76,227,639
Public works	10,954,146	5,115,476	16,069,622
Health and human services	1,727,539	282,567	2,010,106
Culture and recreation	455,087	1,254,463	1,709,550
Library	2,254,306	52,593	2,306,899
Pension benefits	7,684,402	-	7,684,402
Employee benefits	15,660,808	-	15,660,808
Property and liability insurance	570,194	-	570,194
State and county charges	139,003	-	1,390,031
Debt service:			
Principal	7,579,699	-	7,579,699
Interest	2,441,779	-	2,441,779
<b>TOTAL EXPENDITURES</b>	<b>\$ 134,762,334</b>	<b>\$ 22,091,740</b>	<b>\$ 156,854,074</b>
Excess (deficiency) of revenues over Expenditures	2,170,137	(5,820,462)	(3,650,325)
<b>Other Financing Sources (Uses):</b>			
Proceeds of bonds and notes	-	3,480,000	3,480,000
Premium from issuance of bonds and notes	122,640	-	122,640
Transfers in	7,615,028	2,550,000	10,165,028
Transfers out	(2,830,000)	(5,373,541)	(8,203,541)
<b>Total Other Financing Sources (Uses):</b>	<b>4,907,668</b>	<b>656,459</b>	<b>5,564,127</b>
Net change in Fund Balances	7,077,805	(5,164,003)	1,913,802
<b>Fund Balances, at Beginning of Year</b>	<b>34,491,002</b>	<b>23,222,382</b>	<b>57,713,384</b>
<b>Fund Balances, at End of Year</b>	<b>\$ 41,568,807</b>	<b>\$ 18,058,379</b>	<b>\$ 59,627,186</b>

(1) Extracted from audited financial statements of the Town.



**TOWN OF NATICK, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**June 30, 2015(1)**

	General	High School Project Fund	Debt Service	Conservation Commission	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Real estate and personal property taxes	\$ 96,643,595	\$ -	\$ -	\$ -	\$ -	\$ 96,643,595
Motor vehicle and other excise taxes	5,211,050	-	-	-	-	5,211,050
Hotel/motel tax	1,403,267	-	-	-	-	1,403,267
Tax and trash liens	823,985	-	-	-	-	823,985
Payments in lieu of taxes	34,822	-	-	-	-	34,822
Trash disposal	906,726	-	-	-	-	906,726
Intergovernmental	19,445,225	1,104,713	-	-	9,418,739	29,968,677
Special Assessments	3,632	-	-	-	36,918	40,550
Penalties and interest on taxes	524,650	-	-	-	-	524,650
Licenses and permits	2,858,788	-	-	-	-	2,858,788
Fines and forfeitures	200,248	-	-	-	114,241	314,489
Departmental and other	2,708,674	-	-	35,095	7,623,124	10,366,893
Contributions	-	-	-	-	349,519	349,519
Investment income	359,692	-	-	38,332	4,062	402,086
<b>TOTAL REVENUES</b>	<b>\$ 131,124,354</b>	<b>\$ 1,104,713</b>	<b>\$ -</b>	<b>\$ 73,427</b>	<b>\$ 17,546,603</b>	<b>\$ 149,849,097</b>
<b>Expenditures:</b>						
Current:						
General government	\$ 5,285,544	\$ -	\$ -	\$ 243,418	\$ 2,718,262	\$ 8,247,224
Public safety	14,629,595	-	-	-	326,493	14,956,088
Education	59,138,312	11,385	-	-	10,587,041	69,736,738
Public works	11,198,276	-	-	-	4,725,714	15,923,990
Health and human services	1,639,217	-	-	-	324,852	1,964,069
Culture and recreation	711,181	-	-	-	2,518,549	3,229,730
Library	2,161,858	-	-	-	69,575	2,231,433
Pension benefits	7,119,320	-	-	-	-	7,119,320
Employee benefits	15,209,525	-	-	-	-	15,209,525
Property and liability insurance	532,389	-	-	-	-	532,389
State and county charges	1,450,370	-	-	-	-	1,450,370
Debt service:						
Principal	8,195,297	-	5,550,000	-	-	13,745,297
Interest	2,582,870	-	137,050	-	-	2,719,920
<b>TOTAL EXPENDITURES</b>	<b>\$ 129,853,754</b>	<b>\$ 11,385</b>	<b>\$ 5,687,050</b>	<b>\$ 243,418</b>	<b>\$ 21,270,486</b>	<b>\$ 157,066,093</b>
Excess (deficiency) of revenues over Expenditures	1,270,600	1,093,328	(5,687,050)	(169,991)	(3,723,883)	(7,216,996)
<b>Other Financing Sources (Uses):</b>						
Proceeds of bonds and notes	-	-	-	-	2,685,000	2,685,000
Premium from capital leases	209,000	-	-	-	-	209,000
Premium from issuance of bonds and notes	134,243	-	-	-	-	134,243
Transfers in	3,246,785	-	-	-	358,000	3,604,785
Transfers out	(667,087)	-	-	-	(749,851)	(1,416,938)
<b>Total Other Financing Sources (Uses):</b>	<b>2,922,941</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,293,149</b>	<b>5,216,090</b>
Net change in Fund Balances	4,193,541	1,093,328	(5,687,050)	(169,991)	(1,430,734)	(2,000,906)
<b>Fund Balances, at Beginning of Year</b>	<b>30,297,461</b>	<b>1,358,665</b>	<b>5,687,050</b>	<b>5,469,995</b>	<b>16,901,119</b>	<b>59,714,290</b>
<b>Fund Balances, at End of Year</b>	<b>\$ 34,491,002</b>	<b>\$ 2,451,993</b>	<b>\$ -</b>	<b>\$ 5,300,004</b>	<b>\$ 15,470,385</b>	<b>\$ 57,713,384</b>

(1) Extracted from audited financial statements of the Town.

**TOWN OF NATICK, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**June 30, 2014(1)**

	General	High School Project Fund	Debt Service	Conservation Commission	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Real estate and personal property taxes	\$ 93,036,983	\$ -	\$ -	\$ -	\$ -	\$ 93,036,983
Motor vehicle and other excise taxes	4,924,838	-	-	-	-	4,924,838
Hotel/motel tax	1,355,092	-	-	-	-	1,355,092
Tax and trash liens	67,100	-	-	-	-	67,100
Payments in lieu of taxes	35,150	-	-	-	-	35,150
Trash disposal	897,348	-	-	-	-	897,348
Intergovernmental	23,929,660	32,627	-	-	6,939,398	30,901,685
Special Assessments	4,648	-	-	-	18,178	22,826
Penalties and interest on taxes	502,478	-	-	-	-	502,478
Licenses and permits	1,724,944	-	-	-	-	1,724,944
Fines and forfeitures	214,966	-	-	-	90,041	305,007
Departmental and other	2,469,520	-	-	-	6,657,075	9,126,595
Contributions	-	-	-	-	981,371	981,371
Investment income	144,715	-	-	12,659	715	158,089
<b>TOTAL REVENUES</b>	<b>\$ 129,307,442</b>	<b>\$ 32,627</b>	<b>\$ -</b>	<b>\$ 12,659</b>	<b>\$ 14,686,778</b>	<b>\$ 144,039,506</b>
<b>Expenditures:</b>						
Current:						
General government	\$ 6,019,610	\$ -	\$ -	\$ 1,447,194	\$ 972,943	\$ 8,439,747
Public safety	14,521,736	-	-	-	354,201	14,875,937
Education	49,875,116	406,460	-	-	10,554,530	60,836,106
Public works	11,480,041	-	-	-	4,243,861	15,723,902
Health and human services	1,376,438	-	-	-	423,980	1,800,418
Culture and recreation	569,239	-	-	-	1,381,075	1,950,314
Library	2,091,521	-	-	-	79,362	2,170,883
Pension benefits	17,374,488	-	-	-	-	17,374,488
Employee benefits	14,402,719	-	-	-	-	14,402,719
Property and liability insurance	495,234	-	-	-	-	495,234
State and county charges	1,420,072	-	-	-	-	1,420,072
Debt service:						
Principal	8,115,967	-	-	-	-	8,115,967
Interest	2,666,396	-	-	-	-	2,666,396
<b>TOTAL EXPENDITURES</b>	<b>\$ 130,408,577</b>	<b>\$ 406,460</b>	<b>\$ -</b>	<b>\$ 1,447,194</b>	<b>\$ 18,009,952</b>	<b>\$ 150,272,183</b>
Excess (deficiency) of revenues over Expenditures	(1,101,135)	(373,833)	-	(1,434,535)	(3,323,174)	(6,232,677)
<b>Other Financing Sources (Uses):</b>						
Transfers in	4,298,676	-	-	-	-	4,298,676
Proceeds of bonds and notes	-	-	-	-	4,463,750	4,463,750
Premium from capital leases	441,000	-	-	-	-	441,000
Premium from issuance of bonds and notes	407,561	-	-	-	-	407,561
Proceeds of Refunding Bonds (Current)	-	-	5,215,000	-	-	5,215,000
Premium from issuance of Refunding Bonds (Current)	37,011	-	472,050	-	-	509,061
Transfers out	(312,246)	-	-	-	(2,034,051)	(2,346,297)
<b>Total Other Financing Sources (Uses):</b>	<b>4,872,002</b>	<b>-</b>	<b>5,687,050</b>	<b>-</b>	<b>2,429,699</b>	<b>12,988,751</b>
Net change in Fund Balances	3,770,867	(373,833)	5,687,050	(1,434,535)	(893,475)	6,756,074
<b>Fund Balances, at Beginning of Year</b>	<b>26,526,594</b>	<b>1,732,498</b>	<b>-</b>	<b>6,904,530</b>	<b>17,794,594</b>	<b>52,958,216</b>
<b>Fund Balances, at End of Year</b>	<b>\$ 30,297,461</b>	<b>\$ 1,358,665</b>	<b>\$ 5,687,050</b>	<b>\$ 5,469,995</b>	<b>\$ 16,901,119</b>	<b>\$ 59,714,290</b>

(1) Extracted from audited financial statements of the Town.

## Unassigned General Fund Balance and Free Cash

Under Massachusetts law an amount known as “free cash” is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy.

The following table sets forth the trend in Unassigned General Fund balance from audited financials and free cash as certified by the Bureau of Accounts.

<u>As of July 1</u>	<u>Unassigned General Fund Balance</u>	<u>Free Cash</u>
2018	\$ 22,566,821	\$ 6,576,906
2017	25,785,709	9,528,960
2016	25,184,365	12,088,395
2015	20,002,917	9,212,607
2014	14,555,929	6,832,003
2013	13,454,137	6,827,707

## Stabilization Fund

The Town of Natick, per its adopted Financial Management Principles, maintains a portfolio of permanent reserves in the form of Stabilization Funds. Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund by a two-thirds vote of Town Meeting, appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such large amount as may be approved by the State Municipal Finance Oversight Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting by a two-thirds vote for any lawful purpose.

The Town maintains three Stabilization Funds as follows:

General Stabilization Fund: The longest standing stabilization fund, the General Stabilization Fund is maintained for the purpose of unforeseen and catastrophic emergencies. The following table reflects the balance of this account at the end of the most recent fiscal years:

<u>Fiscal Year</u>	<u>Balance</u>
2019 (projected)	\$ 4,859,971
2018	4,570,303
2017	4,530,645
2016	4,502,900
2015	4,475,931
2014	4,305,656

Operational Stabilization Fund: Established at the 2011 Spring Annual Town Meeting, the Operational Stabilization Fund is maintained for the purpose of augmenting operations in the case of a sustained economic downturn. The balance of this Fund as of June 30, 2016 was \$2,481,323. The balance of this Fund at June 30, 2017 was \$2,545,916. The balance of this Fund at June 30, 2018 was \$3,707,495. The projected balance of this Fund as of June 30, 2019 is \$3,628,968.

Capital Stabilization Fund – Established at the 2010 Fall Annual Town Meeting, the Capital Stabilization Fund is maintained for the purpose of funding any capital related projects/equipment and debt service payment related thereto. The Fund is currently supported by appropriations from the 2% increase to the Hotel/Motel Tax and the new Meals Tax voted for by the Town. The balance of this Fund as of June 30, 2016 was \$3,837,852. The balance of this Fund at June 30, 2017 was \$6,316,840. The balance of this Fund at June 30, 2018 was \$8,036,086. The projected balance of this Fund as of June 30, 2019 is \$7,524,376.

## **Tax Increment Financing for Development Districts**

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½ (see "Tax Limitations" under "PROPERTY TAXATION" above).

At the Town's 2005 Annual Fall Town Meeting, the voters established a development district pursuant to G.L. C. 40Q.



## INDEBTEDNESS

### Authorization Procedure and Limitations

Serial bonds and notes are authorized by a two-thirds vote of the representative town meeting. Borrowings for certain purposes require state administrative approval. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Refunding bond and notes are authorized by the selectmen.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of the revenue of the current fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid may generally be incurred by the Treasurer with the approval of the Selectmen.

The general debt limit of the Town of Natick consists of a normal debt limit and a double debt limit. The normal debt limit is 5 per cent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the double debt limit) with the approval of the state Municipal Finance Oversight Board consisting of the attorney general, the state treasurer, the state auditor and the director of accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school and sewer bonds, water bonds, bonds for electric, gas and telecommunication purposes, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, including bonds for housing, urban renewal and economic development (subject to various debt limits). Revenue bonds are not subject to these debt limits. The General Debt Limit applies at the time the debt is authorized. The special debt limits generally apply at the time the debt is incurred.

### Types of Obligations

General Obligations: Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes: These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purpose set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work, improvement or, asset not specifically listed in the statutes that has a useful life of at least five years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as "qualified bonds" with the approval of the state Municipal Finance Oversight Board, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

**Tax Credit Bonds or Notes:** Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as “tax credit bonds” to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

**Bond Anticipation Notes:** These generally must mature within two years of their original dates of issuance, but may be refunded from time to time for a period not to exceed ten years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds has been issued at the end of the second year. The maximum term of bonds issued to refund bond anticipation notes is measured from the date of the original issue of the notes.

**Revenue Anticipation Notes:** These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

**Grant Anticipation Notes:** These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. They must generally mature within two years, but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

**Revenue Bonds:** Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth's Clean Water or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy.

The Town has not borrowed in anticipation of revenue since fiscal 1989 and does not anticipate the need to borrow in the future as quarterly tax billing was instituted in 1991.

## Debt Ratios

	As of June 30				
Gross Debt	2019	2018	2017	2016	2015
Amount(1)	\$ 156,827,383 (4)	\$ 79,150,355	\$ 80,464,456	\$ 76,810,210	\$ 82,889,416
Per Capita(2)	\$ 4,751	\$ 2,398	\$ 2,438	\$ 2,327	\$ 2,511
Percent of Assessed Valuation	1.79%	1.03%	1.04%	1.04%	1.19%
Percent of Equalized Valuation (3)	1.84%	1.01%	1.03%	1.10%	1.19%
Per Capita as a percent of					
Personal Income (2) per Capita	9.54%	4.82%	4.90%	4.67%	5.04%

(1) Gross Amount. Does not include MCWT Subsidy or MSBA Reimbursement.

(2) 2010 Federal Census.

(3) 2014 Equalized Valuation is used for fiscal years 2015 and 2016; 2016 Equalized Valuation is used for fiscal years 2017 and 2018; 2018 Equalized Valuation is used for fiscal year 2019.

(4) Projected.

The following table sets forth the general obligation debt of the Town of Natick incurred for capital purposes. The table shows the outstanding debt projected as of June 30, 2019.

**TOWN OF NATICK, MASSACHUSETTS**  
**Direct Debt Summary**  
**Projected as of June 30, 2019**

Outstanding projected as of June 30, 2019		
General (2)	\$ 46,721,200	
School (3)	94,730,800	
Sewer (4)	5,847,000	
Water (5)	6,416,000	
MCWT (6)	2,086,743	
MWRA	395,640	
Golf (7)	<u>630,000</u>	
Total Outstanding		\$ 156,827,383
<b>Temporary Loans Outstanding After This Issue:</b>		
This Issue of Bond Anticipation Notes (8)	<u>4,655,000</u>	
Total Short Term Debt Outstanding		<u>4,655,000</u>
<b>Total Direct Debt after This Issue</b>		<u><u>\$ 161,482,383</u></u>

- (1) Principal amounts only. Excludes short term debt, lease and installment purchase obligations (see 'Contractual Obligations'), overlapping debt, unfunded pension and OPEB liability.
- (2) Debt service on \$21,345,000 is exempt from the limits of Proposition 2 ½. \$126,000 is not subject to the debt limit.
- (3) Debt service on \$88,506,466 is exempt from the limits of Proposition 2 ½. \$86,347,466 is not subject to the debt limit.
- (4) \$115,000 is not subject to the debt limit.
- (5) \$5,696,000 is not subject to the debt limit.
- (6) Does not reflect subsidy from MCWT. Debt service on \$103,243 is exempt from the limits of Proposition 2 ½. Not subject to the debt limit.
- (7) \$375,000 is not subject to the debt limit.
- (8) This issue, payable February 21, 2020.

## Principal Payments by Purpose

The following table sets forth the principal payments by purpose for the Town's outstanding debt projected as of June 30, 2019.

### TOWN OF NATICK, MASSACHUSETTS

#### Outstanding Bonded Debt (1) Principal Payments by Purpose Projected as of June 30, 2019

Fiscal Year	General (2)	School (3)	Sewer (4)	Water (5)	MCWT (6)	MWRA	Golf (7)	Total
2020	\$ 4,216,000	\$ 5,088,000	\$ 677,000	\$ 894,000	\$ 322,354	\$ 48,450	\$ 180,000	\$ 11,425,804
2021	3,925,000	5,118,000	560,000	707,000	324,504	48,450	165,000	10,847,954
2022	3,655,000	5,105,000	525,000	670,000	339,243	48,450	165,000	10,507,693
2023	3,357,200	5,207,800	445,000	600,000	348,990	48,450	40,000	10,047,440
2024	3,225,000	5,290,000	415,000	540,000	358,389	48,450	20,000	9,896,839
2025	3,255,000	4,865,000	410,000	485,000	363,263	48,450	15,000	9,441,713
2026	2,900,000	4,975,000	400,000	475,000	7,500	28,245	15,000	8,800,745
2027	2,595,000	5,100,000	395,000	335,000	7,500	28,245	5,000	8,465,745
2028	2,545,000	5,235,000	300,000	295,000	7,500	24,225	5,000	8,411,725
2029	2,475,000	5,380,000	175,000	255,000	7,500	24,225	5,000	8,321,725
2030	2,350,000	5,495,000	175,000	200,000	-	-	5,000	8,225,000
2031	2,275,000	5,640,000	175,000	200,000	-	-	5,000	8,295,000
2032	1,765,000	3,775,000	175,000	195,000	-	-	5,000	5,915,000
2033	1,573,000	3,897,000	175,000	95,000	-	-	-	5,740,000
2034	1,485,000	3,760,000	175,000	95,000	-	-	-	5,515,000
2035	1,155,000	3,910,000	175,000	95,000	-	-	-	5,335,000
2036	1,135,000	4,000,000	175,000	90,000	-	-	-	5,400,000
2037	1,085,000	4,160,000	175,000	90,000	-	-	-	5,510,000
2038	885,000	4,325,000	145,000	65,000	-	-	-	5,420,000
2039	865,000	4,405,000	-	35,000	-	-	-	5,305,000
	<u>\$ 46,721,200</u>	<u>\$ 94,730,800</u>	<u>\$ 5,847,000</u>	<u>\$ 5,656,000</u>	<u>\$ 2,086,743</u>	<u>\$ 395,640</u>	<u>\$ 630,000</u>	<u>\$ 156,827,383</u>

- (1) Principal amounts only. Excludes short term debt, lease and installment purchase obligations (see 'Contractual Obligations'), overlapping debt, unfunded pension and OPEB liability.
- (2) Debt service on \$21,345,000 is exempt from the limits of Proposition 2 ½. \$126,000 is not subject to the debt limit.
- (3) Debt service on \$88,506,466 is exempt from the limits of Proposition 2 ½. \$86,347,466 is not subject to the debt limit.
- (4) \$115,000 is not subject to the debt limit.
- (5) \$5,696,000 is not subject to the debt limit.
- (6) Does not reflect subsidy from MCWT. Debt service on \$103,243 is exempt from the limits of Proposition 2 ½. Not subject to the debt limit.
- (7) \$375,000 is not subject to the debt limit.

## Debt Service Requirements

The following table sets forth the required principal and interest payments on outstanding general obligation bonds of the Town of Natick projected as of June 30, 2019.

### TOWN OF NATICK, MASSACHUSETTS DEBT SERVICE REQUIREMENTS Projected as of June 30, 2019

Fiscal Year	Outstanding Debt (1)		Less: Expected SRF Subsidies	Total
	Principal	Interest		
2020	\$ 11,425,804	\$ 6,692,892	\$ (51,854)	\$ 18,066,842
2021	10,847,954	5,836,737	(47,449)	16,637,242
2022	10,507,693	5,395,761	(43,083)	15,860,371
2023	10,047,440	4,963,124	(38,428)	14,972,135
2024	9,896,839	4,566,479	(33,691)	14,429,628
2025	9,441,713	4,166,729	(24,648)	13,583,794
2026	8,800,745	3,783,310	-	12,584,055
2027	8,465,745	3,407,779	-	11,873,524
2028	8,411,725	3,030,391	-	11,442,116
2029	8,321,725	2,658,846	-	10,980,571
2030	8,225,000	2,293,376	-	10,518,376
2031	8,295,000	1,949,716	-	10,244,716
2032	5,915,000	1,627,313	-	7,542,312
2033	5,740,000	1,395,019	-	7,135,019
2034	5,515,000	1,172,488	-	6,687,488
2035	5,335,000	960,838	-	6,295,838
2036	5,400,000	749,888	-	6,149,888
2037	5,510,000	535,863	-	6,045,863
2038	5,420,000	319,150		5,739,150
2039	5,305,000	106,100		5,411,100
Total	<u>\$ 156,827,383</u>	<u>\$ 55,611,796</u>	<u>\$ (239,154)</u>	<u>\$ 212,200,025</u>

(1) Excludes short term debt, lease and installment purchase obligations (see 'Contractual Obligations'), overlapping debt, unfunded pension liability, and unfunded other post-employment benefits liability.

## Authorized Unissued Debt

Currently, the Town has approximately \$56,960,992 of authorized unissued debt for various municipal purposes. Of that, \$40,366,762 is for a new middle school project, approximately \$35,695,486 of which the Town expects to receive MSBA reimbursement.



## Overlapping Debt

The Town is a member of the Massachusetts Water Resources Authority ("MWRA"), the Massachusetts Bay Transportation Authority ("MBTA"), and the South Middlesex Regional Vocational Technical School District. The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue, of the MWRA, the MBTA, and the South Middlesex Regional Vocational School District and the Town's gross share of such debt and the fiscal 2019 dollar assessment for each.

Overlapping Entity	Outstanding Debt at 6/30/18	Natick's Estimated Share (1)	Fiscal 2019 Dollar Assessment(2)
Massachusetts Water Resources Authority (3)			
Water	\$2,044,213,000	N/A	N/A
Sewer	3,449,020,000	1.36%	\$ 4,404,761
Massachusetts Bay Transportation Authority (4)	5,728,840,000	0.14%	\$ 177,694
South Middlesex Regional Vocational Technical School District (5)	0	N/A	1,594,984

(1) Estimated share based on debt service only.

(2) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.

(3) SOURCE: Massachusetts Water Resources Authority. Debt as of June 30, 2018. The Massachusetts Water Resources Authority (the "MWRA") provides wholesale drinking water services in whole or in part to 48 cities, towns and special purpose entities and provides wastewater collection and treatment services to 43 cities, towns and special purpose entities. Under its enabling legislation, as amended, the aggregate principal amount of all bonds issued by the MWRA for its corporate purposes may not exceed \$6.1 billion outstanding at any time. Its obligations are secured by revenues of the MWRA. The MWRA assesses member cities, towns and special purpose entities, which continue to provide direct retail water and sewer services to users. The cities, towns and other entities collect fees from the users to pay all or part of the assessments; some municipalities levy property taxes to pay part of the amounts assessed upon them.

(4) SOURCE: MBTA. Debt as of June 30, 2018. The Massachusetts Bay Transportation Authority (the "MBTA") was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year.

(5) SOURCE: South Middlesex Regional Vocational Technical School District. Debt as of June 30, 2018. Towns may organize regional school districts to carry out general or specialized educational functions. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the district. The District has no temporary debt outstanding and no authorized unissued debt. Dollar assessment for fiscal 2019.

## Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities. The Town does not have an electric light department.

Cities and towns are authorized to lease (as lessee) off-street parking facilities, school buildings, hospital equipment, data process equipment, energy conservation equipment and educational equipment for periods ranging up to 10 years. They may also be made for the installment purchase of energy conservation on equipment over a period up to 10 years. Cities and towns may also lease various properties as lessor. The Town has not entered into any lease or installment purchase contracts of a substantial nature.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The Town of Natick entered into a 20-year contract with Wheelabrator Millbury, Inc. in January 1988 for the disposal of residential solid waste with a recent amendment that will reduce tipping fees beginning in fiscal 2016. This contract became effective in October 1, 1989, at which time the Town began transporting its solid waste to Millbury for disposal. The current contract expires in 2019 with an option to extend to 2029.

The Town's tipping fee is determined on March 1 of each year based upon a base rate (\$55 per ton on January 1, 1987) adjusted for changes in the Boston area consumer price index. The tipping fee in fiscal 2018 was \$470,435. The contract does not require a minimum tonnage. The Town has budgeted \$485,000 for fiscal 2019 for the solid waste contract, which is based upon an estimated 6,100 tons of residential rubbish.

The Town also has a contract for school busing with Michael & Sons, which is in the second year of a three year contract with two option years for fiscal 2020 and fiscal 2021. The cost for regular education in fiscal 2018 was \$1,524,564. The Town has \$1,457,280 budgeted for fiscal 2019.

The Town has a current contract with EL Harvey, Inc. for the disposal of single stream recycling collected from residential homes at the curbside. The Town is currently paid \$2.50 from EL Harvey for each ton of single stream recyclables received. This rate was in effect from FY17 and is still in effect for FY18. The budget for Recycling – Curbside was \$5,000 for FY18 and is \$5,000 for FY19.

## **RETIREMENT PLAN**

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is

prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

The annual contributions to the Town of Natick Contributory Retirement System for the most recent years, as well as the budgeted amount for fiscal 2019, are set forth below.

<u>Fiscal Year</u>	<u>Contributory</u>	<u>Non-Contributory</u>	<u>Total</u>
2019 (budgeted)	\$9,393,294	\$28,000	\$9,421,294
2018	8,763,143	28,000	8,791,143
2017	8,194,354	21,430	8,215,784
2016	7,932,072	38,249	7,970,321
2015	7,344,512	39,549	7,384,061
2014	6,793,586	42,903	6,836,489

Currently, cost of living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approved by the local legislative body, which acceptance may not be revoked. The Natick Retirement Board and the Natick Town Meeting accepted these statutory provisions in October 1997. They became effective beginning January 1, 1998.

The Town at the spring 1990 Natick Annual Town Meeting accepted Chapter 697 of the Acts of 1987, which provides for funding of the Natick Contributory Retirement System on an actuarial basis. The accepted statute calls for funding the Town's unfunded pension liability over a period of 28 years. Chapter 697 also provides for the elimination of the existing \$30,000 pension benefit cap for employees hired after January 1, 1979. The additional cost of these additional pension benefits is included in the funding schedule. Additionally, employees previously subject to the \$30,000 earnings based cap are now contributing an additional 2% on earnings in excess of \$30,000 per year.

As of January 1, 2017, the total estimated actuarial accrued liability of the Contributory Retirement System was \$214,250,037, and its actuarial assets were \$133,351,938, resulting in an estimated unfunded accrued actuarial liability of \$80,898,099. The funding plan adopted by the Town provides for the amortization of this liability in increments by 2030.

It is the intent of the Town to update the actuarial valuation and funding schedule every two years, and to base its annual contributory retirement appropriation on the funding schedule below.

## Natick Contributory Retirement System Funding Schedule

**Funding Schedule – 2030 Schedule, amortization payments initially calculated to increase 4.00% per year with a 7.00% cap on the total plan cost**

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of Remaining Liability	(4) Total Plan Cost: (2) + (3)	(5) Total Unfunded Actuarial Accrued Liability	(6) Total Plan Cost % Increase
2018	\$2,025,106	\$7,190,974	\$9,216,080	\$83,828,154	- -
2019	2,099,415	7,761,790	9,861,206	85,989,237	7.00%
2020	2,176,430	8,375,060	10,551,490	86,219,490	7.00%
2021	2,256,245	9,033,849	11,290,094	85,524,611	7.00%
2022	2,338,964	9,741,436	12,080,401	82,198,155	7.00%
2023	2,424,691	10,501,338	12,926,029	78,193,809	7.00%
2024	2,513,535	11,317,316	13,830,851	72,883,606	7.00%
2025	2,605,607	12,169,000	14,774,607	66,321,068	6.82%
2026	2,701,027	12,655,760	15,356,787	58,376,171	3.94%
2027	2,799,913	13,161,990	15,961,902	49,331,895	3.94%
2028	2,902,391	13,688,469	16,590,860	39,086,623	3.94%
2029	3,008,589	14,236,008	17,244,598	27,530,423	3.94%
2030	3,118,644	14,805,449	17,924,093	14,544,399	3.94%

*Notes: Recommended contributions are assumed to be paid July 1 and December 31.*

*Item (2) reflects 3.25% growth in payroll and 0.15% adjustment to total normal cost to reflect the effects of mortality improvement due to the generational mortality assumption.*

*Assumes contribution of budgeted amount for fiscal year 2018.*

*Amortization payments of remaining liability initially calculated to increase at 4.00% per year.*

*Projected normal cost does not reflect the impact of pension reform for future hires.*

*Schedule reflects deferred investment losses.*

## Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis. The amount paid by the Town in fiscal year 2018 was \$3,047,622, and the Town budgeted \$3,147,000 for this purpose in fiscal 2019.

The Governmental Accounting Standards Board ("GASB") promulgated its Statement Nos. 43 and 45, which require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the costs of the health care benefits they provide to employees and retirees may establish a trust fund for the purposes of paying claims. On January 10, 2009, Massachusetts enacted Chapter 479 of the Laws of 2009 which permits municipalities to establish a trust fund for the purpose of pre-funding this liability.

The Town was required to implement the GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town hired Stone Consulting, Inc. to complete its valuation of its non-pension, post-employment benefit liability. The most recent report, as of July 1, 2016, indicates the Town's unfunded liability to be \$168,552,721, applying a 4% discount rate. An updated valuation study is planned for summer of 2019. The Town voted at the 2011 Fall Town Meeting to establish an OPEB Trust Fund and adopted the provision of M.G.L. c.32B section 20 under the Massachusetts Municipal Modernization Act at the 2017 Spring Town Meeting to ensure compliance with GASB and IRS standards. The balance of the OPEB Trust Fund as of July 1, 2017 was \$2,163,593. The balance of the OPEB Trust Fund as of July 1, 2018 was \$3,260,603. The balance of the OPEB Trust Fund as of July 1, 2019 is projected to be \$3,725,684.

## EMPLOYEE RELATIONS

City and town employees (other than managerial employees) are entitled to join unions and to bargain collectively by representatives of their choice on questions of wages, hours and other terms and conditions of employment. The Town has approximately 1,727 full-time employees and part-time employees, of whom approximately 54 percent belong to unions or other collective bargaining groups as follows:

Union	Department	Number of People	Expiration Date (1)
Education Assoc./Natick	School-Teachers Units A/B/C	445	June 2018
	Title 1	7	June 2018
	Education Support Personnel Units	98	August 2018
Association of Secretaries and Clerks	School	34	June 2018
AFL-CIO Local 1116	Cafeteria	34	June 2018
	Custodian/Maintenance	36	June 2018
	Clerical	23	June 2018
	Public Works	62	June 2018
	Recreation/Human Services	10	June 2018
	Librarians	13	June 2018
Supervisors' and Administrators' Assoc.	Public Works	11	June 2018
Natick Police Superior Officers Assoc.	Police Ltd./Sgts.	13	June 2018
NE PBA IUPA AFLCIO	Police Patrolmen	40	June 2021
International Association of Firefighters, AFL-CIO	Firemen	80	June 2018
	Deputy Chiefs	3	June 2018
Dispatcher Group	Fire/Police	9	June 2018
TOTAL		<u>918</u>	

(1) Expired contracts are currently in negotiations.

## LITIGATION

There are numerous cases pending in courts throughout the Commonwealth where the Town is a defendant. In the opinion of the Town Counsel, none of the pending litigation is likely to result in final judgments against the Town which would materially affect their financial position.

June 12, 2019

TOWN OF NATICK, MASSACHUSETTS  
/s/ John Townsend, Finance Director and Interim Town Treasurer



**TOWN OF NATICK, MASSACHUSETTS**

**INDEPENDENT AUDITORS' REPORT ON  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2018**



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## INDEPENDENT AUDITORS' REPORT

Honorable Board of Selectmen  
Town of Natick, Massachusetts

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Natick, Massachusetts, as of and for the year ended June 30, 2018 (except for the Natick Contributory Retirement System, which is as of and for the year ended December 31, 2017), and the related notes to the financial statements, which collectively comprise the Town of Natick, Massachusetts' basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Institute, the sole discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts for the Institute, is based on the report of the other auditor. 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. The financial statements of the Institute, the sole discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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

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

***Basis for Qualified Opinion on Discretely Presented Component Unit***

As more fully described in Note 1, the financial statements of the Institute were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The amount by which this departure would affect the assets, net position and revenues of the Institute has not been determined.

***Qualified Opinion***

In our opinion, based on the report of the other auditor and as described in the "Basis for Qualified Opinion on Discretely Presented Component Unit" paragraph, the financial statements of the Institute presents fairly, in all material respects, the financial position of the Institute as of June 30, 2018, and the change in financial position for the year then ended in conformity with the cash basis of accounting.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Natick, Massachusetts, as of June 30, 2018 (except for the Natick Contributory Retirement System, which is as of and for the year ended December 31, 2017), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

During the fiscal year ended June 30, 2018, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the Town reported a restatement for a change in accounting principle (see Note 2). Our auditor's opinion was not modified with respect to the restatement.



## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 13) and general fund budgetary comparison and certain pension and other postemployment benefits information (located on pages 73 through 81) 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 28, 2019, on our consideration of the Town of Natick, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Natick, Massachusetts' 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 Natick, Massachusetts' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
March 28, 2019

**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

As management of the Town of Natick, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2018.

**FINANCIAL HIGHLIGHTS**

- The liabilities and deferred inflows of resources of the Town exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$34,674,377 (net deficit). The Town's governmental activities have an unrestricted net deficit of \$211,777,380 and its business-type activities unrestricted net position totaled \$1,153,274.
- As a result of the implementation of GASB Statement No. 75, the Town restated its beginning net position. See note 1.
- The Town's total net position decreased by \$3,755,160.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$65,769,688 an increase of approximately \$1,900,000 in comparison with the prior year. Approximately \$22,013,000 represents unassigned fund balance.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$22,566,821, or 15% of total general fund expenditures and transfers out.
- The Town's total bonded debt increased by \$6,119,509 during the fiscal year. The Town issued \$15,830,000 of new debt during the year.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

This report also contains required supplementary information in addition to the basic financial statements.

**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 non-fiduciary assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

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

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*).

Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest). Business-type activities include the Town's water and sewer and golf course operations.

The government-wide financial statements can be found on pages 14-16 of this report.

### **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 can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. Fiduciary funds

### **Governmental Funds**

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

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

**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

The Town maintains 476 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and Kennedy middle school fund, which are considered to be major funds. Data from the other 474 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

**Proprietary Funds**

The Town maintains one type of proprietary fund.

*Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer and golf course operations. The water and sewer enterprise fund is considered to be major fund, while the golf course enterprise fund is considered nonmajor.

The basic proprietary funds financial statements can be found on pages 21-23 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 statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary funds provide separate information for the Town's pension trust fund. Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The basic fiduciary fund financial statements can be found on pages 24-25 of this report.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-71 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension and other post-employment benefit information, which can be found on pages 73-81.

**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**Government-Wide Financial Analysis**

The following tables present current and prior year data on the government-wide financial statements.

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$34,656,377 at the close of the fiscal year and are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current Assets	\$ 84,102,381	\$ 83,485,150	\$ 17,623,396	\$ 16,405,135	\$ 101,725,777	\$ 99,890,285
Noncurrent Assets (Excluding Capital Assets)	351,055	461,245	992,503	1,111,798	1,343,558	1,573,043
Capital Assets (Net)	198,509,326	191,191,442	38,656,773	36,586,886	237,166,099	227,778,328
Total Assets	<u>282,962,762</u>	<u>275,137,837</u>	<u>57,272,672</u>	<u>54,103,819</u>	<u>340,235,434</u>	<u>329,241,656</u>
<b>Deferred Outflows of Resources</b>	<u>10,531,945</u>	<u>13,009,502</u>	<u>349,363</u>	<u>460,782</u>	<u>10,881,308</u>	<u>13,470,284</u>
<b>Liabilities</b>						
Current Liabilities (Excluding Debt)	20,157,822	13,476,697	618,108	314,341	20,775,930	13,791,038
Noncurrent Liabilities (Excluding Debt)	257,403,343	156,483,698	8,152,722	4,707,632	265,556,065	161,191,330
Current Debt	7,255,147	10,892,522	2,430,973	2,448,912	9,686,120	13,341,434
Noncurrent Debt	65,180,166	60,540,670	14,953,077	12,560,750	80,133,243	73,101,420
Total Liabilities	<u>349,996,478</u>	<u>241,393,587</u>	<u>26,154,880</u>	<u>20,031,635</u>	<u>376,151,358</u>	<u>261,425,222</u>
<b>Deferred Inflows of Resources</b>	<u>9,315,530</u>	<u>5,964,521</u>	<u>324,231</u>	<u>208,979</u>	<u>9,639,761</u>	<u>6,173,500</u>
<b>Net Position</b>						
Net Investment in Capital Assets	129,612,033	126,456,654	29,989,650	28,771,812	159,601,683	155,228,466
Restricted	16,348,046	15,730,085	-	-	16,348,046	15,730,085
Unrestricted	(211,777,380)	(101,397,508)	1,153,274	5,552,175	(210,624,106)	(95,845,333)
Total Net Position	<u>\$ (65,817,301)</u>	<u>\$ 40,789,231</u>	<u>\$ 31,142,924</u>	<u>\$ 34,323,987</u>	<u>\$ (34,674,377)</u>	<u>\$ 75,113,218</u>

The largest portion of the Town's net position (\$159,601,683) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, leasehold improvements, buildings, machinery and equipment, vehicles, library books and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of 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 (\$16,348,046) represents resources that are subject to external restrictions on how they may be used. The remaining balance represents a net deficit of \$210,624,106. Of this amount \$1,153,274 may be used to support business-type activities and (\$211,777,380) represents an unrestricted net deficit in governmental activities.

At the end of the current fiscal year, the Town reports positive balances in all three categories of net position for business-type activities. For governmental activities, positive balances are reported in each category except for unrestricted net position. Such resources have been consumed with the recognition of other postemployment benefit liabilities and net pension liability.



**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

***Changes in Net Position***

For the fiscal year ended June 30, 2018, the Town's total net position decreased by \$3,737,161, compared to a decrease of \$4,933,114 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 14,161,906	\$ 15,985,482	\$ 15,655,562	\$ 14,505,731	\$ 29,817,468	\$ 30,491,213
Operating Grants and Contributions	30,419,798	29,229,480	95,600	100,019	30,515,398	29,329,499
Capital Grants and Contributions	3,797,880	945,821	-	120,600	3,797,880	1,066,421
<i>General Revenues:</i>						
Real Estate and Personal Property Taxes	107,440,410	105,103,277	-	-	107,440,410	105,103,277
Motor Vehicle and Other Excise Taxes	5,661,959	5,664,748	-	-	5,661,959	5,664,748
Hotel/Motel Taxes	1,486,764	1,429,017	-	-	1,486,764	1,429,017
Penalties and Interest on Taxes	428,117	446,186	-	-	428,117	446,186
Payments in Lieu of Taxes	41,037	36,216	-	-	41,037	36,216
Grants and Contributions not Restricted to Specific Programs	4,958,029	4,839,544	-	-	4,958,029	4,839,544
Unrestricted Investment Income	590,665	524,228	-	-	590,665	524,228
Gain on Disposal of Assets	-	65,472	-	-	-	65,472
Total Revenues	<u>168,986,565</u>	<u>164,269,471</u>	<u>15,751,162</u>	<u>14,726,350</u>	<u>184,737,727</u>	<u>178,995,821</u>
<b>Expenses</b>						
General Government	9,676,515	8,973,826	-	-	9,676,515	8,973,826
Public Safety	27,027,917	28,280,269	-	-	27,027,917	28,280,269
Education	110,934,195	103,485,904	-	-	110,934,195	103,485,904
Public Works	15,143,866	17,757,918	-	-	15,143,866	17,757,918
Health and Human Services	4,024,063	4,129,352	-	-	4,024,063	4,129,352
Culture and Recreation	2,850,768	2,929,267	-	-	2,850,768	2,929,267
Library	2,972,314	3,082,981	-	-	2,972,314	3,082,981
Debt Service - Interest	2,368,720	1,996,212	-	-	2,368,720	1,996,212
Water and Sewer	-	-	12,562,495	12,366,287	12,562,495	12,366,287
Golf	-	-	932,034	926,919	932,034	926,919
Total Expenses	<u>174,998,358</u>	<u>170,635,729</u>	<u>13,494,529</u>	<u>13,293,206</u>	<u>188,492,887</u>	<u>183,928,935</u>
Change in Net Position Before Transfers	(6,011,793)	(6,366,258)	2,256,633	1,433,144	(3,755,160)	(4,933,114)
Transfers, Net	<u>1914,583</u>	<u>1,980,291</u>	<u>(1914,583)</u>	<u>(1,980,291)</u>	<u>-</u>	<u>-</u>
Change in Net Position	(4,097,210)	(4,385,967)	342,050	(547,147)	(3,755,160)	(4,933,114)
Net Position - Beginning of Year (As Restated)	<u>(61,720,091) *</u>	<u>45,175,198</u>	<u>30,800,874 *</u>	<u>34,871,134</u>	<u>(30,919,217)</u>	<u>80,046,332</u>
Net Position - End of Year	<u>\$ (65,817,301)</u>	<u>\$ 40,789,231</u>	<u>\$ 31,142,924</u>	<u>\$ 34,323,987</u>	<u>\$ (34,674,377)</u>	<u>\$ 75,113,218</u>

\*Beginning Net Position was restated in fiscal year 2018 as a result of the implementation of GASB Statement No. 75 (see Note 1).

Governmental activities decreased the Town's net position by \$4,097,210. In the prior year, governmental activities decreased the Town's net position by \$4,385,967.

Business-type activities increased the Town's net position by \$342,049. In the prior year, business-type activities decreased the Town's net position by \$547,147. The key element of this change is an increase in user charges of approximately \$1,000,000.

**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

***Fund Financial Statement Analysis***

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

**Governmental Funds**

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$65,769,688, an increase of approximately \$1,900,000 in comparison with the prior year. 33.5% of this total amount (\$22,012,702) represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$14,482)
- Restricted (\$22,462,232)
- Committed (\$20,363,875)
- Assigned (\$916,397)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$22,566,821 while total fund balance was \$47,809,140. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 15% of total general fund expenditures and transfers out, while total fund balance represents 31% of that same amount.

The balance of the Town's general fund increased by \$80,401 during fiscal year 2018. The Town recognized an approximate \$16,745,000 budgetary surplus (excluding encumbrances and continuing appropriations), and anticipated utilizing approximately \$19,220,000 of reserves during year.

***Proprietary Funds***

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water and sewer and deficit of the golf course enterprise funds at the end of the year amounted to \$1,655,618 and (\$502,344), respectively. The water and sewer enterprise fund had an increase in net position for the year totaling \$399,587. The golf course enterprise fund had a decrease in net position for the year totaling \$57,537. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

**General Fund Budgetary Highlights**

The original general fund budget of \$145,933,184 was increased by \$5,824,264 (4.0%) during the year.

**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

The following table summarizes the increase:

Purpose of Increase/Decrease	Amount	Funding Source
Transfer to Capital Stabilization	\$ 2,500,000	Unassigned Fund Balance
Transfer to OPEB Trust	1,000,000	Unassigned Fund Balance
Increase for Capital Articles	851,000	Stabilization Fund/Unassigned Fund Balance
Public Safety Expenditures	188,264	Tax Levy
CBA Adjustments	1,285,000	Unassigned Fund Balance
Total Net Increase	<u>\$ 5,824,264</u>	

During the year, general fund revenues and other financing sources exceeded budgetary estimates, while expenditures and encumbrances and continuing appropriations were less than budgeted appropriations, resulting in a positive budget to actual variance of approximately \$6,618,000.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$237,166,099 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, leasehold improvements, buildings, machinery and equipment, vehicles, library books and infrastructure. The total increase in the investment in capital assets for the current fiscal year totaled \$9,387,771 or 4.1%.

Major capital asset events that occurred during the current fiscal year include the following:

- Governmental Activity – Kennedy Middle School Design (Approx. \$3,500,000)
- Governmental Activity – Infrastructure (Approx. \$2,300,000)
- Water and Sewer – Infrastructure (Approx. \$2,100,000)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 17,250,386	\$ 17,250,386	\$ 1,053,254	\$ 1,053,254	\$ 18,303,640	\$ 18,303,640
Construction in Progress	7,181,310	5,810,083	2,337,631	1,464,795	9,518,941	7,274,878
Land Improvements	4,058,948	3,900,413	1,247,736	1,347,596	5,306,684	5,248,009
Leasehold Improvements	533,491	554,413	-	-	533,491	554,413
Buildings	125,881,148	124,286,094	723,442	747,228	126,604,590	125,033,322
Machinery and Equipment	5,036,315	4,794,743	635,771	522,848	5,672,086	5,317,591
Vehicles	4,763,749	4,414,701	920,876	955,561	5,684,625	5,370,262
Library Books	1,024,130	979,104	-	-	1,024,130	979,104
Infrastructure	32,779,849	29,201,505	31,738,063	30,495,604	64,517,912	59,697,109
Total Capital Assets	<u>\$ 198,509,326</u>	<u>\$ 191,191,442</u>	<u>\$ 38,656,773</u>	<u>\$ 36,586,886</u>	<u>\$ 237,166,099</u>	<u>\$ 227,778,328</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 47-49 of this report.

**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**Long-Term Debt**

At the end of the current fiscal year, total bonded debt outstanding was \$89,602,363, which is backed by the full faith and credit of the Town, and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 72,311,871	\$ 68,329,551	\$ 14,562,387	\$ 11,951,847	\$ 86,874,258	\$ 80,281,398
MVRA Notes	-	-	328,755	504,120	328,755	504,120
MCWT Notes	123,442	143,641	2,275,908	2,553,695	2,399,350	2,697,336
Total Bond and Notes	<u>\$ 72,435,313</u>	<u>\$ 68,473,192</u>	<u>\$ 17,167,050</u>	<u>\$ 15,009,662</u>	<u>\$ 89,602,363</u>	<u>\$ 83,482,854</u>

The Town's total bonded debt increased by \$6,119,509 (7.3%) during the current fiscal year. The Town issued \$15,830,000 of new debt during the year.

The Town received an AAA rating from Standard & Poor's for its most recent issuance of long-term debt on December 6, 2018.

Additional information on the Town's long-term debt can be found in Note 9 on pages 52-55 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

Natick has continued its current trend of continued, sustainable economic growth. As in past years, many large private projects were permitted or completed during Fiscal Year 2018 that add to Natick's tax base and generate well-paying jobs for residents. Over 2030 building permits were issued in 2018.

The Town of Natick is committed to targeted and sustainable economic development to ensure the future of Natick's strong commercial and industrial tax base. Through the leadership of the Board of Selectmen, the Economic Development Committee ("EDC") and the Department of Community and Economic Development ("CED"), the Town focuses on numerous activities to promote and strengthen the local business environment, seeking to accomplish the following objectives:

- Leverage Natick's resources and location to attract business and private investment to Natick that maximizes tax revenue and provides diverse employment opportunities;
- Promote utilization and modernization of existing infrastructure and facilities to the fullest extent possible;
- Recognize and work to address neighborhood and community issues and concerns to ensure the preservation of neighborhood character and quality of life;
- Identify and plan for changing market trends and opportunities; and,
- Market Natick for sustainable and diversified economic development through strategic partnerships and initiatives.

**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

Natick has experienced continued, sustainable economic growth in FY 2018. As in past years, many large private projects were permitted or completed during FY 2018 that add to Natick's tax base and generate well-paying jobs for residents. This includes:

- The on-going 500,000 square foot, \$300+ million expansion of the MathWorks corporate offices at their Lakeside Campus (2+year project). The new campus will house approximately 2,000 new high tech jobs when completed.
- The new Exponent east coast headquarters broke ground in FY 2018. The 60,000 square foot new state of the art building is three times larger than Exponent's current Natick office and will allow the company to expand laboratory capabilities and over time grow to a staff of approximately 200.
- The Natick Mall welcomed the opening of the much-anticipated Wegmans Supermarket in a former JC Penny space, permitted a Dave and Busters in a portion of a former Sears, and invested in significant site improvements to landscaping, lighting, and circulation.
- Natick Center, the heart of the community continues to thrive with the opening of the "Old Town Paint" site redevelopment into 32 units of housing (fully leased) and 4,000 square feet of commercial space.

The Town also advanced multiple key infrastructure projects in FY 2018, including:

- The design of the Route 27 North Main Street corridor, slated to receive nearly \$14+ million in federal and state construction funding in federal fiscal year 2019. This project will reconstruct a primary north-south transportation corridor in Town, complete with new sidewalks and bike lanes.
- The advertisement/bid for the construction of the Cochituate Rail Trail (CRT) – a 2.5 mile linear park connecting the heart of Natick Center and Commuter Rail station to key population and employment centers, including The MathWorks Lakeside Campus (est. 2,000+ employees), the corporate headquarters of TJX Companies (est. 4,000 employees), and the Natick Mall among others, as well as nearly 800 newly constructed housing units and 1/4 of Natick's population (living within ½ mile of the CRT). Construction on the CRT is anticipated to cost approximately \$12+ million, and start in the Spring of 2019.
- The design of the Route 27 South Main Street corridor funded with Town resources and slated to begin in 2019.

The Town is also committed to long range planning work in order to ensure the future of Natick's economic strength. FY 2018 saw the advancement of several key planning initiatives, including:

- The execution of the Targeted Economic Development Plan (2017);
- The anticipated completion of the Natick 2030+ Comprehensive Master Plan, which is the first town wide master plan since early 1970s. The plan will create a shared 10-20 year vision for Natick with an active implementation strategy outlining how to realize that vision;
- The completion of the Golden Triangle Study, in partnership with the City of Framingham, which is a targeted land use and mobility plan for the Exit 13/Speen/Rt. 30 area of Town. The Golden Triangle is home to some of the region's largest employers and taxpayers, including TJX, Natick Mall, Shoppers World (Framingham), MathWorks' new Lakeside Campus, and many other retail and commercial destinations; and,
- The Natick Center Placemaking study, in partnership with the Metropolitan Area Planning Counsel and the National Foundation for the Arts, will culminate with the installation of several public art installations and recommended way-finding improvements to Natick Center.



**TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

Natick's new growth for FY 2018 dipped slightly from FY 2017's outstanding performance but continued an overall strong trend with the DOR certifying \$1,171,844 in total new growth to the Town's levy limit. Other indicators also reflected Natick's strong economic performance; free cash was certified at \$9,408,400, State Aid increased by 2.58% in FY18, Chapter 70 and Unrestricted General Government Aid revenue increased slightly and, local receipts increased moderately in FY 2018 and are expected to be stable over the period of FY 2019-FY 2021. Indirects are proposed to remain the same or increase slightly for the three year period. Finally, the Capital Stabilization Fund, using revenues generated from local option taxes, will continue support new cash capital projects reducing the need for additional debt.

The FY 2019 budget process was once again a challenge. Paced by 6.04% increase in the School Department budget, fueled by substantial recent student enrollment growth, and an 7% increase in pension costs, Town administration relied upon continued savings from its healthcare cost initiatives, cost saving measures and the use of free cash to present a balanced budget.

While management is optimistic about the economic growth for Natick in the upcoming years, future forecasts indicate that demand for services may begin to outweigh the ability to pay for all services. Further service level improvements to meet the ever changing needs of the residents will be difficult as the Town faces growing financial challenges. Increasing school enrollment, rocketing healthcare costs for both employees and retirees, pension costs, OPEB liabilities are just a few of the issues that will face the Town in the very near future.

There will also be an ongoing need to rebuild reserves while also meeting the responsibility to minimize the impact of the taxpayer. The structural imbalance in the past couple of budgets will continue to occur, forcing the town to rely on one time funding and budget cuts to balance its budget. In order to address this issue, long range forecasting must be utilized in all budget processes.

**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 its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town Hall, 13 East Central Street, Natick, Massachusetts 01760.

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Morse Institute
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 46,942,981	\$ 3,048,817	\$ 49,991,798	\$ 480,676
Restricted Cash and Cash Equivalents	17,561,454	8,716,927	26,278,381	-
Investments	8,090,943	1,102,254	9,193,197	2,085,260
Restricted Investments	3,923,652	-	3,923,652	-
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	1,112,682	-	1,112,682	-
Tax, Trash, and Utility Liens	2,298,240	220,147	2,518,387	-
Motor Vehicle and Other Excise Taxes	334,996	-	334,996	-
User Charges	-	4,404,363	4,404,363	-
Special Assessments	9,822	122,728	132,550	-
Departmental and Other	412,531	-	412,531	-
Intergovernmental	3,411,092	-	3,411,092	-
Due from Fiduciary Funds	3,988	-	3,988	-
Inventory	-	8,160	8,160	-
Total Current Assets	84,102,381	17,623,396	101,725,777	2,565,936
Noncurrent Assets:				
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate Tax Deferrals	292,206	-	292,206	-
Special Assessments	58,848	935,451	994,299	-
Intergovernmental	-	57,052	57,052	-
Capital Assets not being Depreciated	24,431,696	3,390,885	27,822,581	-
Capital Assets, Net of Accumulated Depreciation	174,077,630	35,265,888	209,343,518	-
Total Noncurrent Assets	198,860,381	39,649,276	238,509,657	-
Total Assets	282,962,762	57,272,672	340,235,434	2,565,936
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related	5,611,212	198,744	5,809,956	-
OPEB Related	4,920,733	150,619	5,071,352	-
Total Deferred Outflows of Resources	10,531,945	349,363	10,881,308	-
<b>LIABILITIES</b>				
Current Liabilities:				
Warrants Payable	3,403,034	229,462	3,632,496	-
Accrued Payroll	10,034,898	72,231	10,107,129	-
Tax Refunds Payable	709,586	-	709,586	-
Other Liabilities	461,576	-	461,576	-
Accrued Interest	302,056	165,796	467,852	-
Capital Lease Obligations	65,603	-	65,603	-
Workers' Compensation Claims	24,028	-	24,028	-
Landfill Post-Closure	34,043	-	34,043	-
Compensated Absences	202,265	-	202,265	-
Total OPEB Liability	4,920,733	150,619	5,071,352	-
BAN Payable	-	217,000	217,000	-
Bonds and Notes Payable	7,255,147	2,213,973	9,469,120	-
Total Current Liabilities	27,412,969	3,049,081	30,462,050	-
Noncurrent Liabilities:				
Capital Lease Obligations	277,854	-	277,854	-
Workers' Compensation Claims	24,028	-	24,028	-
Landfill Post-Closure	272,344	-	272,344	-
Compensated Absences	1,820,379	-	1,820,379	-
Net Pension Liability	72,304,388	2,560,309	74,864,697	-
Total OPEB Liability	182,704,350	5,592,413	188,296,763	-
Bonds and Notes Payable	65,180,166	14,953,077	80,133,243	-
Total Noncurrent Liabilities	322,583,509	23,105,799	345,689,308	-
Total Liabilities	349,996,478	26,154,880	376,151,358	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes Collected in Advance	161,381	-	161,381	-
Pension Related	9,154,149	324,231	9,478,380	-
Total Deferred Inflows of Resources	9,315,530	324,231	9,639,761	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	129,612,033	29,989,650	159,601,683	-
Restricted for:				
Other Post Employment Benefits	3,283,961	-	3,283,961	-
Conservation Commission	89,654	-	89,654	-
Infrastructure	1,142,316	-	1,142,316	-
Special Education	1,024,156	-	1,024,156	-
Debt Service	1,406,355	-	1,406,355	-
Permanent Funds:				
Expendable	242,851	-	242,851	-
Nonexpendable	14,482	-	14,482	1,106,216
Other Specific Purposes	9,144,271	-	9,144,271	-
Unrestricted	(211,777,380)	1,153,274	(210,624,106)	1,459,720
Total Net Position	\$ (65,817,301)	\$ 31,142,924	\$ (34,674,377)	\$ 2,565,936

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 9,676,515	\$ 1,276,901	\$ 908,820	\$ 33,000	\$ (7,457,794)
Public Safety	27,027,917	4,085,144	213,488	-	(22,729,285)
Education	110,934,195	5,975,163	28,414,727	2,019,347	(74,524,958)
Public Works	15,143,866	1,282,779	455,948	1,685,533	(11,719,606)
Health and Human Services	4,024,063	335,755	277,859	-	(3,410,449)
Culture and Recreation	2,850,768	1,170,968	142,889	60,000	(1,476,911)
Library	2,972,314	35,196	3,579	-	(2,933,539)
Debt Service-Interest	2,368,720	-	2,488	-	(2,366,232)
Total Governmental Activities	<u>174,998,358</u>	<u>14,161,906</u>	<u>30,419,798</u>	<u>3,797,880</u>	<u>(126,618,774)</u>
Business-Type Activities:					
Water and Sewer	12,562,495	14,989,780	95,393	-	2,522,678
Golf	932,034	665,782	207	-	(266,045)
Total Business-Type Activities	<u>13,494,529</u>	<u>15,655,562</u>	<u>95,600</u>	<u>-</u>	<u>2,256,633</u>
Total Primary Governments	<u>\$ 188,492,887</u>	<u>\$ 29,817,468</u>	<u>\$ 30,515,398</u>	<u>\$ 3,797,880</u>	<u>\$ (124,362,141)</u>
<b>Component Units:</b>					
Morse Institute	\$ 187,704	\$ 7,421	\$ 316,960	\$ -	\$ 136,677

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2018**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>CHANGES IN NET POSITION</b>				
Net (Expense) Revenue (From Previous Page)	<u>\$ (126,618,774)</u>	<u>\$ 2,256,633</u>	<u>\$ (124,362,141)</u>	<u>\$ 136,677</u>
General Revenues:				
Real Estate and Personal Property Taxes	107,440,410	-	107,440,410	-
Motor Vehicle and Other Excise Taxes	5,661,959	-	5,661,959	-
Hotel/Motel Taxes	1,486,764	-	1,486,764	-
Penalties and Interest on Taxes	428,117	-	428,117	-
Payments in Lieu of Taxes	41,037	-	41,037	-
Grants and Contributions Not Restricted to Specific Programs	4,958,029	-	4,958,029	-
Unrestricted Investment Income	590,665	-	590,665	-
Transfers, Net	1,914,583	(1,914,583)	-	-
Total General Revenues and Transfers	<u>122,521,564</u>	<u>(1,914,583)</u>	<u>120,606,981</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	(4,097,210)	342,050	(3,755,160)	136,677
Net Position - Beginning of Year (As Restated)	<u>(61,720,091)</u>	<u>30,800,874</u>	<u>(30,919,217)</u>	<u>2,429,259</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ (65,817,301)</u></u>	<u><u>\$ 31,142,924</u></u>	<u><u>\$ (34,674,377)</u></u>	<u><u>\$ 2,565,936</u></u>

See accompanying Notes to Financial Statements.

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

<b>ASSETS</b>	<b>General</b>	<b>Kennedy Middle School</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and Cash Equivalents	\$ 46,942,981	\$ -	\$ -	\$ 46,942,981
Investments	8,090,943	-	-	8,090,943
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	1,112,682	-	-	1,112,682
Real Estate Tax Deferrals	292,206	-	-	292,206
Tax and Trash Liens	2,298,240	-	-	2,298,240
Motor Vehicle and Other Excise Taxes	334,996	-	-	334,996
Special Assessments	13,282	-	55,388	68,670
Departmental and Other	412,531	-	-	412,531
Intergovernmental	-	1,716,824	1,694,268	3,411,092
Due from Fiduciary Funds	3,988	-	-	3,988
Restricted Assets:				
Cash and Cash Equivalents	1,687,517	628,031	15,245,906	17,561,454
Investments	2,274,530	-	1,649,122	3,923,652
Total Assets	<u>\$ 63,463,896</u>	<u>\$ 2,344,855</u>	<u>\$ 18,644,684</u>	<u>\$ 84,453,435</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Warrants Payable	\$ 1,209,140	\$ 1,178,495	\$ 1,015,399	\$ 3,403,034
Accrued Payroll	9,255,189	-	779,709	10,034,898
Tax Refunds Payable	709,586	-	-	709,586
Other Liabilities	461,576	-	-	461,576
Total Liabilities	<u>11,635,491</u>	<u>1,178,495</u>	<u>1,795,108</u>	<u>14,609,094</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes Collected in Advance	161,381	-	-	161,381
Unavailable Revenue	3,857,884	-	55,388	3,913,272
Total Deferred Inflows of Resources	<u>4,019,265</u>	<u>-</u>	<u>55,388</u>	<u>4,074,653</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	14,482	14,482
Restricted	3,962,047	1,166,360	17,333,825	22,462,232
Committed	20,363,875	-	-	20,363,875
Assigned	916,397	-	-	916,397
Unassigned	22,566,821	-	(554,119)	22,012,702
Total Fund Balances	<u>47,809,140</u>	<u>1,166,360</u>	<u>16,794,188</u>	<u>65,769,688</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 63,463,896</u>	<u>\$ 2,344,855</u>	<u>\$ 18,644,684</u>	<u>\$ 84,453,435</u>

See accompanying Notes to Financial Statements.



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

	General	Kennedy Middle School	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ 107,073,261	\$ -	\$ -	\$ 107,073,261
Motor Vehicle and Other Excise Taxes	5,819,560	-	-	5,819,560
Hotel/Motel Tax	1,486,764	-	-	1,486,764
Tax and Trash Liens	382,405	-	-	382,405
Payments in Lieu of Taxes	41,037	-	-	41,037
Trash Disposal	981,895	-	-	981,895
Intergovernmental	28,144,537	1,716,824	8,496,194	38,357,555
Special Assessments	2,976	-	8,601	11,577
Penalties and Interest on Taxes	428,117	-	-	428,117
Licenses and Permits	2,801,420	-	-	2,801,420
Fines and Forfeitures	210,716	-	-	210,716
Departmental and Other	2,248,812	-	8,205,752	10,454,564
Contributions	-	-	251,940	251,940
Investment Income (Loss)	889,424	-	(4,346)	885,078
Total Revenues	<u>150,510,924</u>	<u>1,716,824</u>	<u>16,958,141</u>	<u>169,185,889</u>
<b>EXPENDITURES</b>				
Current:				
General Government	7,066,127	-	952,624	8,018,751
Public Safety	16,639,582	-	585,013	17,224,595
Education	76,864,578	3,525,464	13,581,081	93,971,123
Public Works	12,152,901	-	7,069,187	19,222,088
Health and Human Services	1,836,417	-	369,960	2,206,377
Culture and Recreation	486,611	-	1,435,443	1,922,054
Library	2,323,914	-	35,331	2,359,245
Pension Benefits	8,783,214	-	-	8,783,214
Employee Benefits	15,081,414	-	-	15,081,414
Property and Liability Insurance	654,557	-	-	654,557
State and County Charges	1,467,927	-	-	1,467,927
Debt Service:				
Principal	7,756,159	-	-	7,756,159
Interest	2,473,648	-	-	2,473,648
Total Expenditures	<u>153,587,049</u>	<u>3,525,464</u>	<u>24,028,639</u>	<u>181,141,152</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(3,076,125)</u>	<u>(1,808,640)</u>	<u>(7,070,498)</u>	<u>(11,955,263)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of Bonds and Notes	-	2,975,000	8,515,700	11,490,700
Premium from Issuance of Bonds and Notes	-	-	414,300	414,300
Transfers In	3,487,126	-	166,262	3,653,388
Transfers Out	(330,600)	-	(1,408,205)	(1,738,805)
Total Other Financing Sources (Uses)	<u>3,156,526</u>	<u>2,975,000</u>	<u>7,688,057</u>	<u>13,819,583</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>80,401</u>	<u>1,166,360</u>	<u>617,559</u>	<u>1,864,320</u>
Fund Balances - Beginning of Year	<u>47,728,739</u>	<u>-</u>	<u>16,176,629</u>	<u>63,905,368</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 47,809,140</u>	<u>\$ 1,166,360</u>	<u>\$ 16,794,188</u>	<u>\$ 65,769,688</u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

Total Governmental Fund Balances (Page 17)	\$ 65,769,688
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	198,509,326
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	3,913,273
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due	(302,056)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds and Notes Payable, Net	(72,435,313)
Capital Lease Obligations	(343,457)
Workers' Compensation Claims	(48,056)
Landfill Post-Closure	(306,387)
Compensated Absences	(2,022,644)
Net Pension Liability	(72,304,388)
Total OPEB Liability	(187,625,083)
In the statement of net position, deferred outflows and inflows of resources are reported for amounts related to pensions and OPEB. This amount represents the net deferrals.	1,377,796
Net Position of Governmental Activities (Page 14)	<u>\$ (65,817,301)</u>

**TOWN OF NATICK, MASSACHUSETTS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Funds (Page 18) \$ 1,864,320

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.

Capital Outlays	16,187,040
Depreciation	(8,869,156)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements.

This amount represents the net change in deferred inflows of resources. (302,429)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of material premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. These amounts represent the related activity of the current period.

Proceeds of Bonds	(11,490,700)
Premium from Issuance of Bonds	(414,300)
Bond Maturities	7,756,159
Net Amortization of Bond Premiums	186,720
Capital Lease Maturities	64,128

In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.

(81,793)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

These amounts represent the net changes:

Workers' Compensation	160,750
Landfill Post-Closure	34,043
Compensated Absences	505,856
Net Pension Liability	10,016,510
Total OPEB Liability	(9,205,446)

In the statement of activities, deferred outflows and inflows of resources related to pensions and OPEB are amortized and recognized as pension expense. This amount represents the net change in deferred outflows and inflows related to pensions and OPEB.

(10,508,912)

Changes in Net Position of Governmental Activities (Page 16) \$ (4,097,210)

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

	Business-Type Activities - Enterprise Funds		
	Water and Sewer	Nonmajor Golf	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 2,835,626	\$ 213,191	\$ 3,048,817
Restricted Cash and Cash Equivalents	8,694,849	22,078	8,716,927
Investments	1,102,254	-	1,102,254
Receivables, Net of Allowance for Uncollectible Amounts:			
User Charges	4,404,363	-	4,404,363
Utility Liens	220,147	-	220,147
Special Assessments	122,728	-	122,728
Inventory	-	8,160	8,160
Total Current Assets	<u>17,379,967</u>	<u>243,429</u>	<u>17,623,396</u>
Noncurrent Assets:			
Receivables, Net of Allowance for Uncollectible Amounts:			
Special Assessments	935,451	-	935,451
Intergovernmental	57,052	-	57,052
Capital Assets Not Being Depreciated	2,716,886	673,999	3,390,885
Capital Assets, Net of Accumulated Depreciation	<u>33,808,874</u>	<u>1,457,014</u>	<u>35,265,888</u>
Total Noncurrent Assets	<u>37,518,263</u>	<u>2,131,013</u>	<u>39,649,276</u>
Total Assets	<u>54,898,230</u>	<u>2,374,442</u>	<u>57,272,672</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	187,498	11,246	198,744
OPEB Related	135,912	14,707	150,619
Total Deferred Outflows of Resources	<u>323,410</u>	<u>25,953</u>	<u>349,363</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants Payable	223,766	5,696	229,462
Accrued Payroll	59,990	12,241	72,231
Accrued Interest	158,068	7,728	165,796
Total OPEB Liability - Due Within One Year	135,912	14,707	150,619
Short-Term Notes Payable	217,000	-	217,000
Long-Term Bonds and Notes Payable	<u>2,007,138</u>	<u>206,835</u>	<u>2,213,973</u>
Total Current Liabilities	<u>2,801,874</u>	<u>247,207</u>	<u>3,049,081</u>
Noncurrent Liabilities:			
Net Pension Liability	2,415,439	144,870	2,560,309
Total OPEB Liability	5,046,353	546,060	5,592,413
Long-Term Bonds and Notes Payable	<u>14,373,005</u>	<u>580,072</u>	<u>14,953,077</u>
Total Noncurrent Liabilities	<u>21,834,797</u>	<u>1,271,002</u>	<u>23,105,799</u>
Total Liabilities	<u>24,636,671</u>	<u>1,518,209</u>	<u>26,154,880</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	<u>305,885</u>	<u>18,346</u>	<u>324,231</u>
<b>FUND NET POSITION</b>			
Net Investment in Capital Assets	28,623,466	1,366,184	29,989,650
Unrestricted	<u>1,655,618</u>	<u>(502,344)</u>	<u>1,153,274</u>
Total Net Position	<u>\$ 30,279,084</u>	<u>\$ 863,840</u>	<u>\$ 31,142,924</u>

See accompanying Notes to Financial Statements.

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

	Business-Type Activities - Enterprise Funds		
	Water and Sewer	Nonmajor Golf	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 14,989,780	\$ 665,782	\$ 15,655,562
<b>OPERATING EXPENSES</b>			
Cost of Service and Administration	4,352,780	660,792	5,013,572
MWRA Assessment	5,924,062	-	5,924,062
Repairs and Maintenance	264,750	132,510	397,260
Depreciation	1,523,034	106,537	1,629,571
Total Operating Expenses	12,064,626	899,839	12,964,465
<b>OPERATING INCOME (LOSS)</b>	2,925,154	(234,057)	2,691,097
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Intergovernmental (Debt Subsidy)	58,292	-	58,292
Investment Income	37,101	207	37,308
Interest Expense	(497,869)	(32,195)	(530,064)
Total Nonoperating Revenues (Expenses), Net	(402,476)	(31,988)	(434,464)
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	2,522,678	(266,045)	2,256,633
Transfers In	-	252,200	252,200
Transfers Out	(2,123,091)	(43,692)	(2,166,783)
Total Transfers, Net	(2,123,091)	208,508	(1,914,583)
<b>CHANGE IN FUND NET POSITION</b>	399,587	(57,537)	342,050
Fund Net Position - Beginning of Year (As Restated)	29,879,497	921,377	30,800,874
<b>FUND NET POSITION - END OF YEAR</b>	<u>\$ 30,279,084</u>	<u>\$ 863,840</u>	<u>\$ 31,142,924</u>

See accompanying Notes to Financial Statements.



**TOWN OF NATICK, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds		
	Water and Sewer	Nonmajor Golf	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers and Users	\$ 14,447,465	\$ 665,782	\$ 15,113,247
Payments to Vendors	(7,154,565)	(516,399)	(7,670,964)
Payments to Employees	(2,903,391)	(357,590)	(3,260,981)
Net Cash Provided (Used) by Operating Activities	4,389,509	(208,207)	4,181,302
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers In	-	252,200	252,200
Transfers Out	(2,123,091)	(43,692)	(2,166,783)
Net Cash Provided (Used) by Noncapital Financing Activities	(2,123,091)	208,508	(1,914,583)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from the Issuance of Bonds and Notes	4,453,400	102,900	4,556,300
Premium from the Issuance of Bonds and Notes	278,600	7,100	285,700
Acquisition and Construction of Capital Assets	(3,663,159)	(36,299)	(3,699,458)
Principal Payments on Bonds and Notes	(2,184,352)	(215,840)	(2,400,192)
Interest Paid	(456,721)	(33,490)	(490,211)
Net Cash Used by Capital and Related Financing Activities	(1,572,232)	(175,629)	(1,747,861)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases/Sales of Investments, Net	6,213	-	6,213
Investment Income	37,101	207	37,308
Net Cash Provided by Investing Activities	43,314	207	43,521
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	737,500	(175,121)	562,379
Cash and Cash Equivalents - Beginning of Year (Includes \$7,182,516 and \$12,072 Reported as Restricted in the Water and Sewer and Nonmajor Enterprise Funds, Respectively)	10,792,975	410,390	11,203,365
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> (Includes \$8,694,849 and \$22,078 Reported as Restricted in the Water and Sewer and NonMajor Enterprise Funds, Respectively)	\$ 11,530,475	\$ 235,269	\$ 11,765,744
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 2,925,154	\$ (234,057)	\$ 2,691,097
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities not Requiring Current Cash Flows:			
Depreciation	1,523,034	106,537	1,629,571
Change in Net Pension Liability	(335,290)	(20,116)	(355,406)
Change in Deferred Outflows - Pension Related	247,211	14,827	262,038
Changed in Deferred Inflows - Pension Related	108,731	6,521	115,252
Changed in Deferred Outflows - OPEB Related	254,257	27,513	281,770
Change in Deferred Outflows - OPEB Related	(3,958)	(429)	(4,387)
Effect of Changes in Operating Assets and Liabilities:			
User Charges	(632,327)	-	(632,327)
Utility Liens	(32,615)	-	(32,615)
Special Assessments	122,627	-	122,627
Inventory	-	(485)	(485)
Warrants Payable	209,712	(107,686)	102,026
Accrued Payroll	2,973	(832)	2,141
Total Adjustments	1,464,355	25,850	1,490,205
Net Cash Provided by Operating Activities	\$ 4,389,509	\$ (208,207)	\$ 4,181,302
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Intergovernmental Debt Subsidies (MCWT)	\$ 58,292	\$ -	\$ 58,292

See accompanying Notes to Financial Statements.

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

<b>ASSETS</b>	Pension Trust Fund (as of December 31, 2017)	Private Purpose Trust Funds	Agency Funds
Cash and Cash Equivalents	\$ 1,377,870	\$ -	\$ 1,204,146
Investments:			
Equity Mutual Funds	83,375,709	254,367	-
Fixed Income Mutual Funds	29,909,414	-	-
Real Estate Funds	7,186	-	-
Private Equity Fund	567,166	-	-
External Investment Pool (PRIT)	28,271,214	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Departmental and Other	-	-	195,584
Employer	4,539,255	-	-
Plan Member	37,311	-	-
Intergovernmental and Transfers	373,253	-	-
Total Assets	<u>148,458,378</u>	<u>254,367</u>	<u>\$ 1,399,730</u>
<b>LIABILITIES</b>			
Warrants Payable	590,981	-	\$ 60,888
Accrued Payroll	-	-	42,119
Liabilities Due Depositors	-	-	1,296,723
Due to Primary Government	-	3,988	-
Total Liabilities	<u>590,981</u>	<u>3,988</u>	<u>\$ 1,399,730</u>
<b>NET POSITION</b>			
Restricted for Pension Benefits and Other Purposes	<u>\$ 147,867,397</u>	<u>\$ 250,379</u>	

See accompanying Notes to Financial Statements.

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

	Pension Trust Fund (Year Ended December 31, 2017)	Private Purpose Trust Funds
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 9,216,080	\$ -
Plan Members	3,576,132	-
Total Contributions	<u>12,792,212</u>	<u>-</u>
Net Investment Income:		
Net Appreciation in Fair Value of Investments	14,391,890	(3,378)
Interest	5,475,082	-
Total Investment Income	<u>19,866,972</u>	<u>(3,378)</u>
Less: Investment Expense	(881,031)	-
Net Investment Income	<u>18,985,941</u>	<u>(3,378)</u>
Intergovernmental	108,370	-
Total Additions	<u>31,886,523</u>	<u>(3,378)</u>
<b>DEDUCTIONS</b>		
Administration	285,939	-
Retirement Benefits, Including Reimbursements and Refunds	11,454,990	-
Total Deductions	<u>11,740,929</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	20,145,594	(3,378)
Net Position - Beginning of Year	<u>127,721,803</u>	<u>253,757</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 147,867,397</u>	<u>\$ 250,379</u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

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

**B. Reporting Entity**

The Town of Natick, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions, and institutions that are not legally separate from the Town.

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete.

**Fiduciary Fund Component Unit**

The Town has included the Natick Contributory Retirement System (System) as a component unit (fiduciary fund) in the reporting entity because of the significance of its operational and financial relationship with the Town. Fiduciary fund component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town.

The System was established to provide retirement benefits to Town employees, the Natick Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Town Comptroller (ex-officio), two members elected by the System's participants, one member appointed by the Town's Board of Selectmen, and one member appointed by the System's four other Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary funds' financial statements.

The System does not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC).

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Reporting Entity (Continued)**

**Discretely Presented Component Unit**

Discretely presented component units are entities that are legally separate from the Town, but are financially accountable to the Town, or whose relationships with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Town has included the Morse Institute in Natick (Institute) as a discretely presented component unit because the nature and significance of its relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading.

The Institute provides support to enhance the operations of the Town's public library and is exempt from federal and state income taxes as it is established under Section 501(c)(3) of the Internal Revenue Code.

The Institute issues separately audited cash basis financial statements, which is a comprehensive basis of accounting other than GAAP. The main difference is that the effect on earnings from accounts and pledges receivable as well as accounts payable and donated services are not recognized. Complete financial statements of the Institute, audited by another auditor, can be obtained directly from the Institute by contacting the Director at 14 East Central Street, Natick, Massachusetts 01760.

**Joint Venture**

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in one joint venture with other municipalities to pool resources and share the costs, risks, and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

***South Middlesex Regional Vocational Technical High School District***

The Town is indirectly liable for the South Middlesex Regional Vocational Technical High School District (District) debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's fiscal year 2018 assessment totaled approximately \$1,428,000. Separate audited financial statements may be obtained by contacting the District at 750 Winter Street, Framingham, Massachusetts 01702.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Implementation of New Accounting Principles**

For the year ending June 30, 2018, the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The implementation of GASB Statement No. 75 resulted in, among other things, the recognition of the total OPEB liability in the Statement of Net Position, as well as deferred inflows related to OPEB activities. As a result, the Town has restated its 2018 beginning net position to reflect the implementation of the Statement. The cumulative effect of the change in accounting principle is as follows:

	Governmental Activities	Business-Type Activities	Business -Type Activities	
			Water/Sewer	Golf
Net Position, June 30, 2017, as Previously Reported	\$ 40,789,231	\$ 34,323,987	\$33,057,223	\$ 1,266,764
Cumulative Affect of Implementation of GASB No. 75	(102,509,322)	(3,523,113)	(3,177,726)	(345,387)
Net Position, June 30, 2017, as Restated	<u>\$ (61,720,091)</u>	<u>\$ 30,800,874</u>	<u>\$29,879,497</u>	<u>\$ 921,377</u>

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

**Government-Wide Financial Statements**

The government-wide financial statements (statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government and it's discretely presented component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are primarily supported by user fees. Likewise, the primary government is reported separately from legally separate discretely presented component units for which the primary government is financially accountable.

**Fund Financial Statements**

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

Fiduciary funds are reported by fund type.



**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal 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.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment
- Grants and other contributions that are restricted to meeting the capital requirements of a specific function or segment

Taxes and other items not identifiable as program revenues are reported as general revenues. Except for charges between the general fund and enterprise funds, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

**Fund Financial Statements**

**Governmental funds** 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 accounting, revenues are recognized when susceptible to accrual (i.e., measurable 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 unmatured 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 personal property tax revenues are considered available if they are collected within 60-days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

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

The following major governmental funds are reported:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.

The *kennedy middle school* fund is used to account for and report construction of the new kennedy middle school.

The nonmajor governmental funds consist of special revenue, capital projects, debt service, and permanent funds that are aggregated and presented in the *nonmajor 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.

*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. Capital projects funds exclude 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.

*Debt service funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*Permanent funds* are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

**Proprietary funds** financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

The following proprietary funds are reported:

The *water and sewer* enterprise fund is reported as a major fund and is used to account for the Town's water and sewer activities.

The *golf course* enterprise fund is reported as a nonmajor fund and is used to account for the Sassamon Trace golf course activities.

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

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

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

The *agency fund* is used to account for assets held in a custodial capacity and consist primarily of the police detail and school related funds. Agency funds do not present the results of operations or have a measurement focus.

**F. Deposits and Investments**

**Government-Wide and Fund Financial Statements**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value, net asset value (NAV), or amortized cost, as further discussed in Note 3.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Accounts Receivable**

**Government-Wide and Fund Financial Statements**

The recognition of revenue related to accounts receivable reported in the government-wide and proprietary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to receivables in the governmental funds financial statements are reported under the modified accrual basis of accounting.

***Real Estate Taxes, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup>, and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

***Motor Vehicle Excise Taxes***

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

***User Charges (Water and Sewer)***

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

***Special Assessments***

Special assessments consist of sewer, sidewalk, street, RUST, and Title V betterments and are recorded as receivables in the fiscal year accrued.

***Departmental and Other***

Departmental and other receivables primarily consist of ambulance, police details, and trash ("Pay as you Throw" (PAYT) program) and are recorded as receivables in the fiscal year accrued.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Accounts Receivable (Continued)**

***Intergovernmental***

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

**H. Allowance for Uncollectible Amounts**

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other (excluding the PAYT program)

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- User charges (water and sewer, including liens)
- Special assessments
- Departmental and other (PAYT program)

Intergovernmental receivables are considered 100% collectible.

**I. Inventories**

**Government-Wide and Fund Financial Statements**

Inventories of the governmental activities, governmental funds and water and sewer enterprise fund are recorded as expenditures at the time of purchase. Such inventories consist primarily of supplies and are not material in total to the respective financial statements and therefore are not reported.

Inventories of the golf course enterprise fund are stated at weighted average cost.

**J. Restricted Assets**

**Government-Wide and Fund Financial Statements**

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Capital Assets**

**Government-Wide and Proprietary Funds Financial Statements**

Capital assets, which consist of land, construction in progress, land improvements, buildings, machinery and equipment, vehicles, library books, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated acquisition value at the date of donation.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land Improvements	20-30
Buildings	20-40
Machinery and Equipment	5-10
Vehicles	5-15
Library Books	10
Infrastructure	10-50

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

**Governmental Fund Financial Statements**

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

**L. Interfund Receivables and Payables**

During the course of its operations, transactions occur between funds that may result in amounts owed between funds.



**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Interfund Receivables and Payables (Continued)**

**Government-Wide Financial Statements**

Transactions of a buyer/seller nature between governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

**Fund Financial Statements**

Transactions of a buyer/seller nature between funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

**M. Interfund Transfers**

During the course of its operations, resources are permanently reallocated between funds.

**Government-Wide Financial Statements**

Transfers between governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, Net".

**Fund Financial Statements**

Transfers between funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

**N. Deferred Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until that time.

Deferred outflows of resources related to pensions and OPEB are reported in the government-wide and proprietary funds statements of net position.

**O. Deferred Inflows of Resources**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Deferred Inflows of Resources (Continued)**

Deferred inflows of resources for unavailable revenue and taxes collected in advance are reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

Deferred inflows of resources related to pensions and taxes collected in advance are reported in the government-wide and proprietary funds statements of net position.

**P. Net Position and Fund Balances**

**Government-Wide Financial Statements and Proprietary Funds Financial Statements (Net Position)**

Net position represents the residual difference between assets and deferred outflows less liabilities and deferred inflows.

Net position are reported as restricted when amounts are restricted by outside parties for a specific future use. Net position has been “restricted” for the following:

“Other postemployment benefits” represents amounts restricted for retirees’ benefits (see Note 11).

“Conservation commission” represents amounts restricted for conservation projects.

“Infrastructure” represents amounts restricted for infrastructure improvements from mitigation funds.

“Special education” represents amounts restricted for special education costs from Massachusetts “circuit breaker” funds.

“Debt service” represents amounts accumulated from the Massachusetts School Building Authority (MSBA) for future payment of long-term debt service costs associated with school construction and net bond premiums associated with excluded debt. These amounts will be amortized over future fiscal years.

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

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

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

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Net Position and Fund Balances (Continued)**

**Governmental Funds Financial Statements (Fund Balances)**

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable — represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

Restricted — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — represents amounts that can be used only for specific purposes imposed by a formal action of Town Meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded only through actions approved by Town Meeting.

Assigned — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town's structure, authorized assignments for non-contractual encumbrances can be made by individual department heads.

Unassigned — represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

**Q. Long-Term Debt**

**Government-Wide and Proprietary Fund Financial Statements**

Long-term debt is reported as liabilities in the government-wide and proprietary funds statements of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q. Long-Term Debt (Continued)**

**Governmental Fund Financial Statements**

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

**R. Investment Income**

Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income derived from the proprietary and fiduciary funds is retained in the respective funds.

**S. Compensated Absences**

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

**Government-Wide and Proprietary Fund Financial Statements**

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

**Governmental Fund Financial Statements**

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon employee retirements and resignations.

**T. Pensions**

**Government-Wide and Proprietary Fund Financial Statements**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Natick Contributory Retirement System (System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**U. Post Retirement Benefits**

**Government-Wide and Fund Financial Statements**

In addition to providing pension benefits and as more fully described in Note 11, the Town provides health and life insurance coverage for current and future retirees and their spouses.

**V. Use of Estimates**

**Government-Wide and Fund Financial Statements**

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

**W. Total Column**

**Government-Wide Financial Statements**

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

**Fund Financial Statements**

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 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases or transfers between departments subsequent to the approval of the annual budget require Special Town Meeting approval.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

Generally, expenditures may not exceed the legal level of spending (salaries, expenses, and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service and other certain amounts, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2018 approved budget for the general fund authorized \$145,933,184 in appropriations and other amounts to be raised. During fiscal year 2018, supplemental appropriations totaling \$5,824,264 were authorized.

The Comptroller's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

**B. Fund Deficits**

At June 30, 2018, the following fund deficits exist:

Fund	Amount	Funding Source
Fire Equipment	\$ 322,280	Issuance of Long-Term Debt
Other Funds	89,525	Grant Proceeds/Available Funds
E911 Support Program	50,519	Grant Proceeds/Available Funds
Preschool Tuition	37,049	Available Funds
Bullet Proof Vest	27,673	Grant Proceeds/Available Funds
Rental Facilities	27,073	Available Funds
Total Deficits	<u>\$ 554,119</u>	

**C. Excess of Expenditures over Appropriations**

For the fiscal year 2018, expenditures exceeded appropriations for state and county charges.

**NOTE 3 DEPOSITS AND INVESTMENTS**

***Town (Excluding the Pension Trust Fund and Institute)***

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts, and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT). The Treasurer also has expanded investment powers as it relates to certain trust funds (as defined by the Commonwealth), permanent funds, and fiduciary funds.



**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

The MMDT is an external investment pool that meets the criteria established under GASB 79 to report its investments at amortized cost. As such, the City reports its investments in MMDT at amortized cost which approximates the net asset value of \$1.00 per share.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the private purpose trust funds and the pension trust fund are held separately from other Town funds.

**Deposits - Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2018, \$15,181,548 of the Town's bank balance of \$77,318,587 was uninsured and uncollateralized. The carrying value of the Town's deposits totaled \$76,533,323 at June 30, 2018.

**Investments Summary**

The Town's investments at June 30, 2018 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries	\$ 577,866	\$ 308,760	\$ 269,106	\$ -	\$ -
U.S. Agencies	2,447,987	759,709	1,688,278	-	-
Corporate Bonds	2,144,252	516,602	1,627,650	-	-
Money Market Mutual Funds	231,079	231,079	-	-	-
Fixed Income Securities	955,077	955,077	-	-	-
Certificates of Deposit	4,044,152	1,788,994	2,255,158	-	-
External Investment Pool (MMDT)	1,190,596	1,190,596	-	-	-
Total Debt Securities	11,591,009	\$ 5,750,817	\$ 5,840,192	\$ -	\$ -
<u>Other Investments:</u>					
Equity Securities	1,772,382				
Equity Mutual Funds	1,429,500				
Total Other Investments	3,201,882				
Total Investments	\$ 14,792,891				

**Investments - Interest Rate Risk of Debt Securities**

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town does not have a policy for interest rate risk of debt securities.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments - Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2018, the Town's investments were not exposed to custodial credit risk.

**Investments - Credit Risk of Debt Securities**

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2018, the credit quality ratings of the Town's debt securities are as follows:

Investment Type	Total Amount	Quality Ratings *							
		AAA	AA+	A+	A	A-	BBB+	BBB	Unrated
Corporate Bonds	\$ 2,144,253	\$ -	\$ -	\$ 598,551	\$ 126,093	\$ 639,284	\$ 581,062	\$ 199,263	\$ -
U.S. Agencies	2,447,987	-	2,447,987	-	-	-	-	-	-
Fixed Income Securities	955,077	110,047	-	-	-	-	-	-	845,030
Money Market Mutual Funds	231,079	-	-	-	-	-	-	-	231,079
Certificates of Deposit	4,044,152	-	-	-	-	-	-	-	4,044,152
External Investment Pools	1,190,596	-	-	-	-	-	-	-	1,190,596
Total	<u>\$11,013,144</u>	<u>\$ 110,047</u>	<u>\$2,447,987</u>	<u>\$ 598,551</u>	<u>\$ 126,093</u>	<u>\$ 639,284</u>	<u>\$ 581,062</u>	<u>\$ 199,263</u>	<u>\$6,310,857</u>

\*Per the rating scale of Standard and Poor's (a national credit rating organization).

**Investments – Concentration of Credit 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 does not have a policy for concentration of credit risk. As of June 30, 2018, the Town's exposure to concentration of credit risk was as follows:

Issuer	Fair Value	Percentage of Total Investments
Federal Home Loan Mortgage Corp	\$ 1,444,231	12.9%

**Investments – Fair Value Measurements**

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

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

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

Investment Type	Total Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
Equity Securities	\$ 1,772,382	\$ 1,772,382	\$ -	\$ -
Equity Mutual Funds	1,429,500	1,429,500	-	-
Money Market Mutual Funds	231,079	231,079		
U.S. Treasuries	577,866	577,866	-	-
U.S. Agencies	2,447,987	2,447,987		
Corporate Bonds	2,144,252	-	2,144,252	-
Fixed Income Securities	955,077	-	955,077	-
Certificates of Deposit	4,044,152	-	4,044,152	
Total Investments by Fair Value Level	13,602,295	<u>\$ 6,458,814</u>	<u>\$ 7,143,481</u>	<u>\$ -</u>
<b>Investments measured at Amortized Cost:</b>				
External Investment Pool (MMDT)	1,190,596			
Total Investments	<u>\$ 14,792,891</u>			

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

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

***Pension Trust Fund (The System)***

The System has expanded investment powers, including the ability to invest in equity securities, corporate bonds, and other specified investments.

The System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee and provides regulatory oversight. PRIT is administered by the Pension Reserves Investment Management Board. The reported value of the pool is the same as the fair value of the System's position in pool shares.

**Deposits - Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System does not have a policy for custodial credit risk of deposits. As of December 31, 2017, the System was not exposed to custodial credit risk. The carrying value of the System's deposits totaled \$370,871 at December 31, 2017.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments Summary**

The System's investments at December 31, 2017 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (in Years) Less Than 1
<u>Debt Securities:</u>		
Money Market Mutual Funds	\$ 1,006,999	\$ 1,006,999
Fixed Income Mutual Funds	29,909,414	29,909,414
External Investment Pool	28,271,214	28,271,214
Total Debt Securities	<u>59,187,627</u>	<u>\$ 59,187,627</u>
<u>Other Investments:</u>		
Equity Mutual Funds	83,375,709	
Real Estate Funds	7,186	
Private Equity Fund	567,166	
Total Other Investments	<u>83,950,061</u>	
Total Investments	<u>\$ 143,137,688</u>	

**Investments - Interest Rate Risk of Debt Securities**

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System's policy regarding interest rate risk is that the duration of the fixed income portfolio shall be maintained within a range of +/- 15% of the duration of the fixed income benchmark designated in the "Manager Specific Guidelines".

**Investments - Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a policy for custodial credit risk of investments. As of December 31, 2017, the System's investments were not exposed to custodial credit risk.

**Investments - Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System does not have a policy for concentration of credit risk. As of December 31, 2017, the System was not exposed to concentration of credit risk.

**Investments - Fair Value Measurements**

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

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

The System has the following recurring fair value measurements as of December 31, 2017:

Investment Type	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
Money Market Mutual Funds	\$ 1,006,999	\$ 1,006,999	\$ -	\$ -
Equity Mutual Funds	83,375,709	83,375,709	-	-
Fixed Income Mutual Funds	29,909,414	29,909,414	-	-
Total Investments by Fair Value Level	114,292,122	<u>\$ 114,292,122</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investments measured at the NAV:</b>				
External Investment Pool (PRIT)	28,271,214			
Real Estate Funds	7,186			
Private Equity Fund	567,166			
Total Investments measured at the NAV	<u>28,845,566</u>			
Total Investments	\$ 143,137,688			

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

The valuation method for investments measured at the net asset value (NAV) per share or its equivalent) is presented on the following table.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
External Investment Pool (PRIT) (1)	\$ 28,271,214	\$ -	Monthly	24 Hours
Real Estate Funds (2)	567,166	294,375	N/A	N/A
Private Equity Fund (3)	7,186	-	N/A	N/A
Total Investments Measured at the NAV	<u>\$ 28,845,566</u>			

- (1) The PRIT fund is an external investment pool that is not registered with the Securities and Exchange Commission, but is subject to oversight provided by the Pension Reserves Investment Management Board (the PRIM Board). The PRIM Board was created by legislation to provide general supervision of the investments and management of PRIT. The fair value of the PRIT pooled fund is based on unit value (NAV) as reported by management of the PRIT fund.
- (2) Real Estate Funds: This type includes two real estate funds that invest primarily in U.S. commercial real estate and value added opportunities. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. The investments can never be redeemed with the funds. Distributions from each of these funds will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next one to three years.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

- (3) Private Equity Fund: This type includes an investment in a partnership with an investment objective to carry on business of investor funds in limited partnerships interest based primarily in North America. The fair values of the investment in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. The investments can never be redeemed with the funds. Distributions from each of these funds will be received as the underlying investments of the funds are liquidated. The funds are in the liquidation process.

***The Institute (Discretely Presented Component Unit)***

**Investments Summary**

The Institute's investments at June 30, 2018 are presented below. All investments are presented by investment type.

Investment Type	Fair Value
Corporate Bonds	\$ 100,310
Common and Preferred Stock	1,984,950
Total Investments	<u>\$ 2,085,260</u>

**NOTE 4 ACCOUNTS RECEIVABLE**

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Receivables:</b>			
Real Estate and Personal Property Taxes	\$ 1,267,816	\$ (155,134)	\$ 1,112,682
Real Estate Tax Deferrals	292,206	-	292,206
Tax and Trash Liens	2,298,240	-	2,298,240
Motor Vehicle and Other Excise Taxes	567,353	(232,357)	334,996
Special Assessments	68,670	-	68,670
Departmental and Other	412,531	-	412,531
Intergovernmental	3,411,092	-	3,411,092
Total	<u>\$ 8,317,908</u>	<u>\$ (387,491)</u>	<u>\$ 7,930,417</u>



**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)**

At June 30, 2018, receivables for the water and sewer enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Receivables:</b>			
User Charges	\$ 4,404,363	\$ -	\$ 4,404,363
Utility Liens	220,147	-	220,147
Special Assessments	1,058,179	-	1,058,179
Intergovernmental	57,052	-	57,052
<b>Total</b>	<u>\$ 5,739,741</u>	<u>\$ -</u>	<u>\$ 5,739,741</u>

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 17,250,386	\$ -	\$ -	\$ 17,250,386
Construction in Progress	5,810,083	6,981,335	(5,610,108)	7,181,310
Total Capital Assets Not Being Depreciated	<u>23,060,469</u>	<u>6,981,335</u>	<u>(5,610,108)</u>	<u>24,431,696</u>
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	6,409,926	441,327	-	6,851,253
Leasehold Improvements	627,636	-	-	627,636
Buildings	180,914,944	6,376,959	-	187,291,903
Machinery and Equipment	13,918,579	1,631,363	(49,000)	15,500,942
Vehicles	11,013,929	1,417,373	(499,374)	11,931,928
Library Books	3,671,209	233,149	-	3,904,358
Infrastructure	60,247,426	4,715,642	-	64,963,068
Total Capital Assets Being Depreciated	<u>276,803,649</u>	<u>14,815,813</u>	<u>(548,374)</u>	<u>291,071,088</u>
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(2,509,513)	(282,792)	-	(2,792,305)
Leasehold Improvements	(73,223)	(20,922)	-	(94,145)
Buildings	(56,628,850)	(4,781,905)	-	(61,410,755)
Machinery and Equipment	(9,123,836)	(1,389,791)	49,000	(10,464,627)
Vehicles	(6,599,228)	(1,068,325)	499,374	(7,168,179)
Library Books	(2,692,105)	(188,123)	-	(2,880,228)
Infrastructure	(31,045,921)	(1,137,298)	-	(32,183,219)
Total Accumulated Depreciation	<u>(108,672,676)</u>	<u>(8,869,156)</u>	<u>548,374</u>	<u>(116,993,458)</u>
Total Capital Assets Being Depreciated, Net	<u>168,130,973</u>	<u>5,946,657</u>	<u>-</u>	<u>174,077,630</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 191,191,442</u>	<u>\$ 12,927,992</u>	<u>\$ (5,610,108)</u>	<u>\$ 198,509,326</u>

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activity- Water/Sewer Enterprise:</b>				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 379,255	\$ -	\$ -	\$ 379,255
Construction in Progress	1,464,795	2,122,284	(1,249,448)	2,337,631
Total Capital Assets Not Being Depreciated	1,844,050	2,122,284	(1,249,448)	2,716,886
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	189,023	-	-	189,023
Buildings and Improvements	562,150	-	-	562,150
Machinery and Equipment	1,266,940	161,584	-	1,428,524
Vehicles	1,810,525	248,085	(80,298)	1,978,312
Infrastructure	60,612,247	2,380,654	-	62,992,901
Total Capital Assets Being Depreciated	64,440,885	2,790,323	(80,298)	67,150,910
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(108,687)	(9,451)	-	(118,138)
Buildings and Improvements	(38,770)	(15,508)	-	(54,278)
Machinery and Equipment	(763,190)	(80,898)	-	(844,088)
Vehicles	(872,010)	(278,982)	80,298	(1,070,694)
Infrastructure	(30,116,643)	(1,138,195)	-	(31,254,838)
Total Accumulated Depreciation	(31,899,300)	(1,523,034)	80,298	(33,342,036)
Total Capital Assets Being Depreciated, Net	32,541,585	1,267,289	-	33,808,874
Total Water/Sewer Enterprise Capital Assets, Net	<u>\$ 34,385,635</u>	<u>\$ 3,389,573</u>	<u>\$ (1,249,448)</u>	<u>\$ 36,525,760</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activity- Golf Course Enterprise:</b>				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 673,999	\$ -	\$ -	\$ 673,999
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	2,518,439	-	-	2,518,439
Buildings	276,453	-	-	276,453
Machinery and Equipment	22,467	36,299	-	58,766
Vehicles.....	18,940	-	-	18,940
Total Capital Assets Being Depreciated	2,836,299	36,299	-	2,872,598
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(1,251,179)	(90,409)	-	(1,341,588)
Buildings	(52,605)	(8,278)	-	(60,883)
Machinery and Equipment	(3,369)	(4,062)	-	(7,431)
Vehicles	(1,894)	(3,788)	-	(5,682)
Total Accumulated Depreciation	(1,309,047)	(106,537)	-	(1,415,584)
Total Capital Assets Being Depreciated, Net	1,527,252	(70,238)	-	1,457,014
Total Golf Course Enterprise Capital Assets, Net	<u>\$ 2,201,251</u>	<u>\$ (70,238)</u>	<u>\$ -</u>	<u>\$ 2,131,013</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 36,586,886</u>	<u>\$ 3,319,335</u>	<u>\$ (1,249,448)</u>	<u>\$ 38,656,773</u>

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

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

<b>Governmental Activities:</b>	
General Government	\$ 471,907
Public Safety	800,730
Education	4,148,316
Public Works	2,635,553
Health and Human Services	255,160
Culture and Recreation	463,139
Library	94,351
Total Depreciation Expense - Governmental Activities	<u>\$ 8,869,156</u>
<b>Business-Type Activities:</b>	
Water and Sewer	\$ 1,523,034
Golf	106,537
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,629,571</u>

**NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Receivables and payables between funds at June 30, 2018 are summarized as follows:

Receivable Fund	Payable Fund	Amount
General	Private Purpose	\$ 3,988 <sup>(1)</sup>

(1) Represents cash advances

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

Transfers Out:	Transfers In:			Total
	General Fund	Nonmajor Governmental Funds	Nonmajor Golf Enterprise Funds	
General Fund	\$ -	\$ 78,400	\$ 252,200	\$ 330,600 <sup>(1)</sup>
Nonmajor Governmental Funds	1,408,205	-	-	1,408,205 <sup>(2)</sup>
Water/Sewer Enterprise Fund	2,035,229	87,862	-	2,123,091 <sup>(3)</sup>
Nonmajor Golf Enterprise Fund	43,692	-	-	43,692 <sup>(4)</sup>
	<u>\$ 3,487,126</u>	<u>\$ 166,262</u>	<u>\$ 252,200</u>	<u>\$ 3,905,588</u>

(1) Represents budgeted transfers to the Affordable Housing Trust (\$78,400), and a subsidy of operating expenses for the golf enterprise fund (\$252,200).

(2) Represent budgeted transfers to the general fund from Chrysler Road Mitigation (\$665,295), Medicaid (\$354,354), Mathworks Mitigation (\$25,000), Oil Tanks (\$152,705), insurance claims (\$15), MSBA (\$123,167), Title V Septic program (\$7,684), and Parking Receipts (\$80,000).

(3) Represents budgeted transfer of indirect costs and insurance claims transfers (\$87,862).

(4) Represents budgeted transfer of indirect costs.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the governmental funds and enterprise funds, respectively.

Details related to the short-term debt activity for the fiscal year ended June 30, 2018 is as follows:

**Notes Payable - Governmental Funds**

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
BAN	CSX Saxonville Branch Land	12/8/16	12/8/17	1.45%	2,960,000	-	(2,960,000)	-
BAN	CSX Saxonville Branch Land	12/8/17	4/27/18	2.00%	-	2,960,000	(2,960,000)	-
BAN	CSX Saxonville Branch Land	4/18/18	12/7/18	2.50%	-	2,960,000	(2,960,000) *	-
BAN	Kennedy Middle School	6/29/18	12/7/18	2.75%	-	2,975,000	(2,975,000) *	-
BAN	Replace SCBA Equipment	6/29/18	12/7/18	2.75%	-	350,000	(350,000) *	-
BAN	Roadway & Sidewalks	6/29/18	12/7/18	2.75%	-	350,000	(350,000) *	-
BAN	Roadway Improvements - Washington	6/29/18	12/7/18	2.75%	-	75,000	(75,000) *	-
	Total				<u>\$ 2,960,000</u>	<u>\$ 9,670,000</u>	<u>\$ (12,630,000)</u>	<u>\$ -</u>

**Notes Payable - Enterprise Funds**

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
BAN	Equipment - Chlorine Gas Scrubber	6/29/18	12/7/18	2.75%	-	320,000	(320,000) *	-
BAN	Replace Ground Water Wells	6/29/18	12/7/18	2.75%	-	150,000	-	150,000
BAN	SCADA Equipment Upgrade	6/29/18	12/7/18	2.75%	-	125,000	(125,000) *	-
BAN	East Central Water Main	6/29/18	12/7/18	2.75%	-	75,000	(75,000) *	-
BAN	Fox Hill Drive Water Main Replacement	6/29/18	12/7/18	2.75%	-	67,000	-	67,000
	Total				<u>\$ -</u>	<u>\$ 737,000</u>	<u>\$ (520,000)</u>	<u>\$ 217,000</u>

**Subsequent Events**

\* On December 6, 2018, the Town issued \$86,885,000 of General Obligation Bonds. A portion of the proceeds were used to retire BAN's outstanding at June 30, 2018. Accordingly, the liabilities are reported as a long-term debt obligation at June 30, 2018. The remaining BANs were retired with available funds on December 7, 2018.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 LONG-TERM OBLIGATIONS**

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
<b>Governmental Activities:</b>					
Bonds and Notes Payable	\$ 66,207,231	\$ 11,490,700	\$ (7,756,159)	\$ 69,941,772	\$ 7,058,069
Unamortized Bond Premiums	2,265,961	414,300	(186,720)	2,493,541	197,078
Total Bonds and Notes Payable	68,473,192	11,905,000	(7,942,879)	72,435,313	7,255,147
Capital Lease Obligations	407,585	-	(64,128)	343,457	65,603
Workers' Compensation Claims	208,806	450,594	(611,344)	48,056	24,028
Landfill Post-Closure	340,430	-	(34,043)	306,387	34,043
Compensated Absences	2,528,500	252,850	(758,706)	2,022,644	202,265
Total	<u>\$ 71,958,513</u>	<u>\$ 12,608,444</u>	<u>\$ (9,411,100)</u>	<u>\$ 75,155,857</u>	<u>\$ 7,581,086</u>
<b>Business-Type Activities:</b>					
Bonds and Notes Payable	\$ 14,257,225	\$ 4,339,300	\$ (2,400,191)	\$ 16,196,334	\$ 2,149,903
Unamortized Bond Premiums	752,437	285,700	(67,421)	970,716	64,070
Total	<u>\$ 15,009,662</u>	<u>\$ 4,625,000</u>	<u>\$ (2,467,612)</u>	<u>\$ 17,167,050</u>	<u>\$ 2,213,973</u>

The governmental activities long-term liabilities are generally liquidated by the general fund.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 LONG-TERM DEBT**

Details related to the outstanding indebtedness at June 30, 2018 and the debt service requirements are as follows:

**Bonds and Notes Payable – Governmental Funds**

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2017	Issued	Redeemed	Outstanding at June 30, 2018
Septic Title V (MCWT) T5-97-1026	08/01/19	0.00%	\$ 22,791	\$ -	\$ (7,597)	\$ 15,194
Septic Title V (MCWT) T5-97-1026-1	08/01/22	0.00%	30,850	-	(5,102)	25,748
M.P.L. of 2008	02/15/18	3.38-5.00%	185,000	-	(185,000)	-
Septic Title V (MCWT) T5-97-1026-B	07/15/28	0.00%	90,000	-	(7,500)	82,500
M.P.L. of 2010	06/15/20	2.00-2.75%	995,000	-	(335,000)	660,000
M.P.L. of 2011	06/15/31	2.00-5.00%	35,930,000	-	(2,735,000)	33,195,000
M.P.L. of 2012	06/01/24	2.00-4.00%	1,495,000	-	(385,000)	1,110,000
General Obligation Current Refunding Bonds of 2012	08/01/20	1.00-4.00%	1,222,290	-	(864,660)	357,630
M.P.L. of 2013	04/15/33	2.00-4.00%	5,450,000	-	(625,000)	4,825,000
General Obligation Current Refunding Bonds of 2014	06/15/24	2.00-5.00%	3,605,000	-	(525,000)	3,080,000
M.P.L. of 2014	06/15/29	2.00-5.00%	2,840,000	-	(525,000)	2,315,000
M.P.L. of 2015	06/30/30	2.50-3.00%	2,095,000	-	(285,000)	1,810,000
M.P.L. of 2016	11/01/35	1.35 -4.00%	3,172,000	-	(302,000)	2,870,000
M.P.L. of 2017	04/15/37	3.125-5.00%	9,074,300	-	(969,300)	8,105,000
M.P.L. of 2017	7/15/2037	3.00-4.00%	-	4,780,700	-	4,780,700
M.P.L. of 2018	7/15/2038	4.00-5.00%	-	6,710,000	-	6,710,000
Total Governmental Funds			<u>\$66,207,231</u>	<u>\$ 11,490,700</u>	<u>\$ (7,756,159)</u>	<u>\$ 69,941,772</u>

Debt service requirements for principal and interest for governmental bonds and notes payable in future fiscal years as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 7,058,069	\$ 2,220,169	\$ 9,278,238
2020	6,939,771	2,270,145	9,209,916
2021	6,251,495	2,019,582	8,271,077
2022	5,848,557	1,630,142	7,478,699
2023	5,528,746	1,369,446	6,898,192
2024	5,343,962	1,168,694	6,512,656
2025	4,569,646	1,126,902	5,696,548
2026	4,210,824	938,021	5,148,845
2027	3,957,002	819,631	4,776,633
2028	3,913,675	746,620	4,660,295
2029	3,850,841	623,988	4,474,829
2030	3,743,758	505,515	4,249,273
2031	3,675,925	342,532	4,018,457
2032	1,177,350	234,590	1,411,940
2033	983,813	245,513	1,229,326
2034	642,040	175,268	817,308
2035	630,592	162,256	792,848
2036	558,005	188,476	746,481
2037	515,913	134,647	650,560
2038	324,068	125,613	449,681
2039	217,720	23,554	241,274
Total	<u>\$69,941,772</u>	<u>\$17,071,305</u>	<u>\$ 87,013,077</u>



**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

**Bonds and Notes Payable – Enterprise Fund (Water and Sewer)**

Project	Maturity Dates	Interest Rate	Outstanding at June 30, 2017	Issued	Redeemed	Outstanding at June 30, 2018
Water Treatment (MCWT)	08/01/24	2.00%	\$ 2,553,695	\$ -	\$ (277,787)	\$ 2,275,908
Water Mains - Lining	02/15/18	3.38-5.00%	300,000	-	(300,000)	-
M.P.L. of 2010-Sewer	06/15/20	2.00-3.25%	90,000	-	(30,000)	60,000
M.P.L. of 2010-Departmental Equipment - Sewer	06/15/20	2.00-3.25%	75,000	-	(25,000)	50,000
M.P.L. of 2010-Water Mains - Lining	06/15/20	2.00-3.25%	180,000	-	(60,000)	120,000
M.P.L. of 2010-Well	06/15/20	2.00-3.25%	75,000	-	(25,000)	50,000
M.P.L. of 2010-Water Departmental Equipment	06/15/20	2.00-3.25%	150,000	-	(50,000)	100,000
M.P.L. of 2011-Water Mains - Lining	06/15/26	2.00-5.00%	470,000	-	(55,000)	415,000
Building Remodeling - Public Works	06/01/19	2.00-4.00%	15,000	-	(10,000)	5,000
Well	06/01/22	2.00-4.00%	150,000	-	(30,000)	120,000
Water Departmental Equipment	06/01/22	2.00-4.00%	125,000	-	(25,000)	100,000
Building Remodeling - Sewer	06/01/22	2.00-4.00%	250,000	-	(50,000)	200,000
General Obligation Current Refunding Bonds of 2012	08/01/20	1.00-4.00%	482,000	-	(218,000)	264,000
Sewer	04/15/28	2.00-4.00%	1,210,000	-	(110,000)	1,100,000
Water Departmental Equipment	04/15/23	2.00-4.00%	120,000	-	(20,000)	100,000
Well	04/15/23	2.00-4.00%	180,000	-	(30,000)	150,000
Sewer Current Refunding	04/15/22	2.00-4.00%	140,000	-	(30,000)	110,000
Sewer (MWRA)	05/15/19	0.00%	302,280	-	(151,140)	151,140
M.P.L. of 2014 Sewer	06/15/23	2.00-5.00%	300,000	-	(85,000)	215,000
M.P.L. of 2014 Water	06/15/29	2.00-5.00%	695,000	-	(75,000)	620,000
Sewer (MWRA)	02/15/25	0.00%	161,640	-	(20,205)	141,435
M.P.L. of 2016 - Refunding	11/01/26	1.35-4.00%	1,015,000	-	(105,000)	910,000
M.P.L. of 2016 - Sewer	11/01/25	1.35-4.00%	105,000	-	(15,000)	90,000
M.P.L. of 2017	04/15/37	3.125-5.00%	4,188,200	-	(383,200)	3,805,000
Sewer (MWRA)	05/15/27	0.00%	40,200	-	(4,020)	36,180
M.P.L. of 2017 - Sewer Station	07/15/27	4.00%	-	86,000	-	86,000
M.P.L. of 2017 -Water/Sewer Infrastructure	07/15/37	3.00-4.00%	-	2,925,400	-	2,925,400
M.P.L. of 2017 - Replace Ground Water Wells	07/15/37	3.00-4.00%	-	370,000	-	370,000
M.P.L. of 2017 - Water Main Upgrade	07/15/37	3.00-4.00%	-	335,000	-	335,000
M.P.L. of 2018	07/15/38	5.00%	-	520,000	-	520,000
Total Water/Sewer Enterprise Fund			<u>\$ 13,373,015</u>	<u>\$ 4,236,400</u>	<u>\$ (2,184,352)</u>	<u>\$ 15,425,063</u>

Debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 1,945,173	\$ 542,308	\$ 2,487,481
2020	1,842,380	495,842	2,338,222
2021	1,548,127	426,385	1,974,512
2022	1,495,747	363,152	1,858,899
2023	1,355,494	300,150	1,655,644
2024	1,285,114	244,713	1,529,827
2025	1,214,988	195,219	1,410,207
2026	819,020	162,269	981,289
2027	674,020	129,886	803,906
2028	535,000	104,901	639,901
2029	370,000	85,551	455,551
2030	337,500	72,488	409,988
2031	337,500	60,463	397,963
2032	332,500	49,363	381,863
2033	232,500	37,888	270,388
2034	232,500	30,838	263,338
2035	232,500	23,788	256,288
2036	227,500	16,738	244,238
2037	227,500	9,838	237,338
2038	177,500	2,875	180,375
2039	2,500	50	2,550
Total	<u>\$ 15,425,063</u>	<u>\$ 3,354,701</u>	<u>\$ 18,779,764</u>

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

**Bonds and Notes Payable – Enterprise Fund (Golf)**

Project	Maturity Dates	Interest Rate	Outstanding at June 30, 2017	Issued	Redeemed	Outstanding at June 30, 2018
General Obligation Current Refunding Bonds of 2012	08/01/19	1.00-4.00%	\$ 115,710	\$ -	\$ (42,340)	\$ 73,370
Municipal Golf Course Current Refunding	04/15/22	2.00-4.00%	635,000	-	(130,000)	505,000
Municipal Golf Carts	06/15/18	2.00-5.00%	25,000	-	(25,000)	-
M.P.L. of 2016	04/23/32	1.35 -4.00%	18,000	-	(8,000)	10,000
M.P.L. of 2017	04/15/32	2.00-5.00%	90,500	-	(10,500)	80,000
M.P.L. of 2017 - Golf Cart Fleet Replacement	07/15/22	4.00%	-	102,900	-	102,900
Total Golf Enterprise Fund			<u>\$ 884,210</u>	<u>\$ 102,900</u>	<u>\$ (215,840)</u>	<u>\$ 771,270</u>

Debt service requirements for principal and interest for golf course enterprise fund bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 204,730	\$ 29,656	\$ 234,386
2020	196,540	21,431	217,971
2021	150,000	14,600	164,600
2022	150,000	8,550	158,550
2023	25,000	2,500	27,500
2024	5,000	1,850	6,850
2025	5,000	1,600	6,600
2026	5,000	1,350	6,350
2027	5,000	1,100	6,100
2028	5,000	850	5,850
2029	5,000	650	5,650
2030	5,000	500	5,500
2031	5,000	350	5,350
2032	5,000	200	5,200
Total	<u>\$ 771,270</u>	<u>\$ 85,187</u>	<u>\$ 856,457</u>

On July 27, 2017, the Town issued \$8,600,000 of General Obligation Bonds for water and sewer infrastructure projects, golf projects, road and sidewalk improvements, departmental equipment and vehicles.

The Town receives subsidy assistance from the Massachusetts Clean Water Trust (MCWT). Principal and interest on the outstanding bonds for MCWT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. During fiscal year 2018, the Town's subsidy totaled approximately \$61,000. Future subsidies total approximately \$296,000. The amount of MCWT bonds outstanding at June 30, 2018, totaled \$2,399,350.

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan (payable in five equal annual installments). At June 30, 2018, the outstanding principal amount of these loans totaled \$328,755.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2018, the Town had the following authorized and unissued debt:

Purpose	Amount
Parking Garage	\$ 540,000
Charles River Dam	100,000
Sewer I & I	359,480
Water	150,000
Police Replace Rooftop HVAC Unit	55,000
Cole North Field	30,000
Departmental Equipment - DCC Controls	150,000
Pine Street Roadway	153,000
Sewer	726,750
Main Street Improvements	280,000
Cole Center Air Handler	20,000
Well	200,000
Engineering Charles River Bridge	125,000
Land Acquisition (22 Pleasant Street	3,200,000
Land Acquisition (Saxonville Branch Line)	2,960,000
Fire Dept - Replace SCBA Equipment	350,000
SCADA Equipment Upgrade	125,000
Chlorine Gas Scrubber	320,000
East Field Renovations	2,535,000
Navy Yard Field Renovations	1,600,000
Water Distribution System Enhancements	150,000
Water/Sewer Comprehensive Asset Management Plan	150,000
Water Main Retaining/Replacement	1,100,000
Kennedy Middle School Design	2,975,000
Kennedy Middle School Construction - EXEMPT	105,835,000
Fire Alarm & Signal Bucket Trucks	200,000
Water & Sewer Dump Truck	220,000
Golf Course Greens Mower	38,000
Golf Course Trim Mower	35,000
Golf Course Main Pump Heads	35,000
Charles River Dam Repairs	675,000
Roadways & Sidewalks	1,000,000
Washington Avenue Roadway Improvements	2,500,000
Fox Hill Drive Water Main Replacement	667,000
Ground Water Wells	500,000
East Central Water Main Abandonment	850,000
Sewer Main Rehabilitation	969,000
Total	<u>\$ 131,878,230</u>

Subsequent Events

On December 6, 2018, the Town issued \$86,885,000 of General Obligation Bonds. A portion of the proceeds were used to retire BAN's outstanding at June 30, 2018. Accordingly, the liabilities are reported as a long-term debt obligation at June 30, 2018. The remaining proceeds were for school construction, fire station construction and other various departmental equipment and vehicles.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 LANDFILL POSTCLOSURE CARE**

State and federal laws and regulations required the Town to close its old landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that ceased operations in 1988 and, accordingly, was subsequently capped and funded via long-term debt. The Town has reflected \$306,387 as the estimated landfill post-closure care liability at June 30, 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS**

Plan Description

The Town provides health, dental and life insurance benefits, in accordance with state statute and Town ordinance, to participating retirees and their beneficiaries (hereinafter referred to as the "Plan") as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to the plan design and contributions rates must be accomplished through the collective bargaining process. The Plan does not issue a stand-alone financial report.

The Town has established an OPEB Trust pursuant to the adoption of MGL Chapter 32B, Section 20. The assets placed in this trust do not meet the criteria in paragraph 4 of Statement No. 75 and as such the funds accumulated are reported in the general fund as restricted fund balance. At June 30, 2018, the OPEB restricted fund balance totaled \$3,283,961.

Benefits Provided

The Town provides health, dental and life insurance coverage for its retirees and their survivors. The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health insurance contribution rates of Plan members and the Town (including Medicare Part B) are 50%, respectively. The Plan members and Town each contribute 50% towards a \$5,000 term life insurance premium. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Employees Covered by Benefit Terms

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

Active Employees	1,088
Retired Employees and Spouses	942
Total	<u><u>2,030</u></u>

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Total OPEB Liability**

The Town's total OPEB liability of \$193,368,115 was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2016 for which updated procedures were used to roll forward the total OPEB liability to the measurement date.

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2016 actuarial valuation and other inputs, applied to all periods included in the measurement, unless otherwise specified.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Discount Rate:	3.58% (Municipal Bond Index at June 30, 2017)
Healthcare/Medical cost trend rate:	9.00% in 2016 to an ultimate level of 5.00% in 2023
Projected salary increases:	3.50% annually
Mortality:	<p>Actives: The RP-2000 Mortality Table (Sex-distinct) for Employees projected using generational mortality with scale BB.</p> <p>Retirees: The RP-2000 Mortality Tables (Sex-distinct) for Health Annuitants projected using generational mortality with scale BB.</p> <p>Disabled: The RP-2000 Mortality Tables (Sex-distinct) for Health Annuitants projected using generational mortality with scale BB. Set forward 2 years.</p>

**Changes in Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2017	\$ 183,880,900
Changes for the year:	
Service Cost	7,642,455
Interest	6,768,403
Benefit Payments	(4,923,643)
Net Changes	9,487,215
Balance at June 30, 2018	<u>\$ 193,368,115</u>

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.*

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1 percentage-point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	\$ 229,233,668	\$ 193,368,115	\$ 165,345,839

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.*

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1-percentage-point higher than the current healthcare trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 160,266,037	\$ 193,368,115	\$ 237,504,232

**OPEB Expense and Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2018, the Town recognized OPEB expense of \$14,410,858.

At June 30, 2018, the Town reported deferred outflows of resources of \$5,071,352 for contributions made subsequent to the measurement date and will reduce the total OPEB liability in fiscal year 2019.

**NOTE 12 PENSION PLAN - NCRS**

**General Information about the Pension Plan**

*Plan Description.* The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Natick Contributory Retirement System (NCRS or System). Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

Membership in the System was as follows at December 31, 2017:

Active Members	620
Inactive Members	114
Retirees and Beneficiaries currently receiving benefits	383
Total	<u>1,117</u>

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 12 PENSION PLAN - NCRS (CONTINUED)**

As indicated in Note 1, the System is reported as a pension trust fund in these financial statements. The System also issues a publicly available report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 13 East Central Street, Natick, Massachusetts 01760.

*Benefits provided.* Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The plan provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are three classes of membership in the plan; 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 been specified as hazardous. Lastly, Group 4 consists of police officers, firefighters, and other hazardous positions.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service if hired after 1978 and if classified in groups 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in Group 1, 50 years of age with 10 years of service if in Group 2, and 55 years of age if hired prior to 1978 or if classified in Group 4. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

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

When a member's retirement becomes effective, their deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.



**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 12 PENSION PLAN - NCRS (CONTINUED)**

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status, and group classification.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

*Contributions.* Chapter 32 of MGL governs the contributions of plan members and the employers. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

For the year ended December 31, 2017, active member contributions totaled \$3,576,132 and employer contributions totaled \$9,216,080. Contributions to the System from the Town were \$9,078,510 for the year ended June 30, 2018.

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

The components of the net pension liability of the System at December 31, 2017, were as follows:

Total Pension Liability	\$ 223,866,546
Plan Fiduciary Net Position	(147,867,397)
Net Pension Liability	<u>\$ 75,999,149</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.05%

At June 30, 2018, the Town reported a liability of \$74,864,697 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to December 31, 2017 measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017 and 2016, the Town's proportion was 98.5073%.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 12 PENSION PLAN - NCRS (CONTINUED)**

For the year ended June 30, 2018, the Town recognized pension expense of \$9,842,870. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 4,763,968
Changes in Assumptions	5,809,956	-
Changes in Proportion	-	14,311
Differences between expected and actual experience	-	4,700,101
	<u>\$ 5,809,956</u>	<u>\$ 9,478,380</u>

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

<u>Year Ended June 30</u>	
2019	\$ 1,647,990
2020	(735,190)
2021	(2,428,917)
2022	(2,152,307)
Total	<u>\$ (3,668,424)</u>

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 12 PENSION PLAN - NCRS (CONTINUED)**

*Actuarial assumptions.* The following actuarial methods and assumptions apply to all periods included in the measurement.

Methods:

Actuarial Cost Method	Entry Age Normal Cost
Asset Valuation Method	Fair Value

Assumptions:

Salary Increases	Based on years of service. Ranges from 6.00% decreasing to 4.00% after 11 years of service for Group 1 employees, from 6.00% decreasing to 4.25% after 11 years of service for Group 2 employees; and from 7.00% decreasing to 4.50% after 11 years of service for Group 4 Employees
Investment Rate of Return	7.375%, net of pension plan investment expense, including inflation
Inflation Rate	3.25%
Cost of Living Adjustment	3.0% of first \$12,000 Annually
Mortality	<p>Healthy Participant - The RP-2014 Blue Collar Employee Mortality Table set forward one year for females projected generationally with Scale MP-20162D</p> <p>Healthy Retiree - The RP-2014 Healthy Annuitant Mortality Table set forward one year for females projected generationally with Scale MP-20162D</p> <p>Disabled Retiree - The RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015</p>
Retirement Rates	<p>General Employees (Group 1 and 2) - 1.0% and 1.5% for males and females, respectively, beginning at age 50 ranging to 100% for both males and females ending at age 70</p> <p>Police and Fire (Group 4) - 2.0% beginning at age 50 ranging to 100.0% at age 65</p>

*Investment Policy and Rates of Return.* Deposits and investments made by the System are governed by Chapter 32 of the MGL. The System engages investment managers that adhere to MGL c. 32, sec 23(3), the "Prudent Person" rule, which permits (among other things) the investment in corporate bonds, equities, private equity, and real estate investments.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 12 PENSION PLAN - NCRS (CONTINUED)**

The Board has the authority for establishing and amending investment policy decisions. Based on the investment objectives and constraints of the System, and based on an annual review of the asset allocation and asset classes, the Board will specify a long-term target allocation for each class of permissible assets. These targets will be expressed as a percentage of the total portfolio, and will have ranges surrounding them, allowing for the portfolio to maintain policy through market fluctuations. The long-term target allocations are intended as strategic goals. Thus, it is permissible for the overall System's asset allocation to deviate from the long-term target, as would likely occur during manager transitions, asset class restructurings, and other temporary changes in the System. At times, the Board reevaluates the portfolio weightings by asset class and adjustments are made accordingly.

The System's annual money-weighted rate of return on pension plan investments was 15.91%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	34.0%	6.15%
International Developed Markets Equity	16.0%	7.11%
International Emerging Markets Equity	4.0%	9.41%
Core Fixed Income	16.0%	1.68%
High-Yield Fixed Income	10.0%	4.13%
Real Estate	10.0%	4.90%
Hedge Fund, GTAA, Risk Parity	5.0%	3.94%
Private Equity	5.0%	10.28%
Totals	<u>100.0%</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 12 PENSION PLAN - NCRS (CONTINUED)**

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the System calculated using the discount rate of 7.375%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

	1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
System's Net Pension Liability	\$ 100,999,978	\$ 75,999,149	\$ 54,801,860

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.375%, as well as what Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

	1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
Town's Proportionate Share of the Net Pension Liability	\$ 99,492,335	\$ 74,864,697	\$ 53,983,824

*Legally Required Reserve Accounts.* The balance in the System's legally required reserves as of December 31, 2017 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	\$ 37,488,111	Active members' contribution balance
Annuity Reserve Fund	9,950,276	Retired members' contribution account
Pension Reserve Fund	96,085,977	Amounts appropriated to fund future retirement
Pension Fund	4,343,033	Remaining Net Position
Total	<u>\$ 147,867,397</u>	

All reserve accounts are funded at levels required by state law.

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in this financial report.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 13 PENSION PLAN - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM**

**General Information about the Pension Plan**

*Plan description.* Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth of Massachusetts' (Commonwealth) reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth's audited financial statements that can be obtained at <http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

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

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 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.

*Contributions.* 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. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000.

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, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS.

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

Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2018. The Commonwealth's net pension liability associated with the Town was \$125,563,486.

**TOWN OF NATICK, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 13 PENSION PLAN - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM  
(CONTINUED)**

The MTRS' net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017.

For the year ended June 30, 2018, the Town recognized pension expense of \$13,105,427 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

Actuarial assumptions. The following actuarial methods and assumptions apply to all periods included in the measurement.

Investment rate of return - 7.5%

Salary increases - Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service

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

Other - 3.5% interest rate credited to the annuity savings fund and 3.0% cost of living increase per year.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40%	5.0%
Core Fixed Income	12%	1.1%
Private Equity	11%	6.6%
Real Estate	10%	3.6%
Value Added Fixed Income	10%	3.8%
Hedge Funds	0%	3.6%
Portfolio Completion Strategies	13%	3.6%
Timber/Natural Resources	4%	3.2%
Totals	<u>100%</u>	



**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 13 PENSION PLAN - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM  
(CONTINUED)**

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

*Pension plan fiduciary net position.* Detailed information about the MTRS' fiduciary net position is available in the Commonwealth's audited financial statements.

**NOTE 14 CAPITAL LEASES**

The Town has entered into a capital lease agreement for LED street lights, which will become the property of the Town when all terms of the lease agreement are met.

The following schedule represents the future minimum lease payments as of June 30, 2018:

Fiscal Years Ending June 30	Governmental Activities
2019	\$ 73,502
2020	73,503
2021	73,503
2022	73,503
2023	73,504
Total Minimum Lease Payments	367,515
Less: Amounts Representing Interest	(24,058)
Present Value of Minimum Lease Payments	<u>\$ 343,457</u>

The LED street lights and the related accumulated amortization under capital leases are as follows:

<u>Asset:</u>	Governmental Activities
Infrastructure	\$ 650,000
Less: Accumulated Amortization	(271,600)
Total	<u>\$ 378,400</u>

Amortization of the capital lease is included with public works depreciation expense.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 15 FUND BALANCES**

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	General	Kennedy Middle School	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>				
Permanent Fund Principal	\$ -	\$ -	\$ 14,482	\$ 14,482
<b>Restricted:</b>				
OPEB	3,283,961	-	-	3,283,961
Debt Service	678,086	-	728,267	1,406,353
School Construction	-	-	220,593	220,593
Senior Center Construction	-	-	-	-
School Lunch	-	-	500,289	500,289
Bus Transportation	-	-	116,964	116,964
Infrastructure (Mitigation Funds)	-	-	1,142,316	1,142,316
Capital	-	1,166,360	5,268,542	6,434,902
Medicaid	-	-	354,354	354,354
Cable Fees	-	-	342,354	342,354
Circuit Breaker	-	-	1,024,156	1,024,156
Conservation Commission	-	-	89,654	89,654
Recreation Revolving	-	-	889,159	889,159
General Government	-	-	1,654,663	1,654,663
Public Safety	-	-	1,203,939	1,203,939
Education	-	-	2,350,424	2,350,424
Public Works	-	-	562,389	562,389
Health and Human Services	-	-	664,223	664,223
Culture and Recreation	-	-	209,608	209,608
Library	-	-	11,931	11,931
Sub-Total - Restricted	3,962,047	1,166,360	17,333,825	22,462,232
<b>Committed:</b>				
Capital Stabilization	8,036,086	-	-	8,036,086
Subsequent Year's Expenditures	3,700,000	-	-	3,700,000
Technology Stabilization	1,969	-	-	1,969
General Government	3,902,310	-	-	3,902,310
Public Safety	2,132,498	-	-	2,132,498
Education	449,632	-	-	449,632
Public Works	1,883,168	-	-	1,883,168
Health and human services	29,427	-	-	29,427
Culture and Recreation	228,785	-	-	228,785
Sub-Total - Committed	20,363,875	-	-	20,363,875
<b>Assigned:</b>				
General Government	340,518	-	-	340,518
Public Safety	19,675	-	-	19,675
Education	255,581	-	-	255,581
Public Works	194,202	-	-	194,202
Health and Human Services	2,260	-	-	2,260
Culture and Recreation	20,001	-	-	20,001
Other	84,160	-	-	84,160
Sub-Total -Assigned	916,397	-	-	916,397
<b>Unassigned</b>	22,566,821	-	(554,119)	22,012,702
<b>Total</b>	<u>\$ 47,809,140</u>	<u>\$ 1,166,360</u>	<u>\$ 16,794,188</u>	<u>\$ 65,769,688</u>

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 16 STABILIZATION FUNDS**

The Town maintains general, capital, operational, FAR, inflow, and infiltration and one-to-one technology stabilization funds that were established under MGL Chapter 40, Section 5B. Appropriations in and out of these stabilization funds require two-thirds vote of Town meeting. Investment income is retained by the funds.

The balances of the general, capital, operational, FAR, inflow and infiltration, and one-to-one technology stabilization funds at June 30, 2018 are \$4,570,303, \$8,036,086, \$3,070,495, \$2,524,966, \$976,496, and \$1,969, respectively. The capital and technology stabilization fund balances are reported in the general fund as committed and the general, operational, and FAR stabilization funds are reported in the general fund as unassigned fund balance. The inflow and infiltration stabilization fund is reported as unrestricted net position in the water and sewer enterprise fund.

**NOTE 17 RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

The Town provides health insurance through its participation in the West Suburban Health Group (Group), a non-profit trust comprised of 11 towns, one school district and two educational collaboratives. The Town recognizes the cost of providing health insurance by recording its share (depending on the plan, contribution rates range between 50% and 90%) of insurance premiums paid to the Group in the general fund in the fiscal year paid. The purpose of the Group is to pay medical claims of its members' employees and their covered dependents. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The Town participates in a premium-based workers' compensation plan. In prior years, the Town was self-insured for workers' compensation and is liable for the payment of certain claims from those periods. The claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future liability is based on history and injury type. The estimated liability at June 30, 2018 totaled \$48,058.

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimate</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-end</u>
2017	\$ 173,204	\$ 706,653	\$ (671,051)	\$ 208,806
2018	208,806	450,594	(611,344)	48,056

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 18 OPERATING LEASES**

**Lessee**

The Town is committed under an operating lease for the golf course land and a modular building used as a clubhouse, and administrative building at the golf course. During fiscal year 2018, the Town paid approximately \$72,000 related to these leases, which is accounted for in the golf course enterprise fund. Future minimum lease payments for the next five years are as follows:

*Business-Type Activities*

<u>Fiscal Year</u>	<u>Payment</u>
2019	\$ 75,222
2020	77,479
2021	79,803
2022	82,197
2023	84,663

**NOTE 19 COMMITMENTS**

The Town has entered into, or is planning entering into, contracts totaling approximately \$131,900,000 for various capital projects.

Significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$9,542,215 at June 30, 2018.

**NOTE 20 CONTINGENCIES**

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

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) through June 30, 2018, these programs are still subject to financial and compliance audits by federal agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 21 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

The GASB has issued the following statements:

Statement No. 83, *Certain Retirement Obligations*, which is required to be implemented during fiscal year 2019. Management is evaluating the Statement's future impact on the basic financial statements.

Statement No. 84, *Fiduciary Activities*, which is required to be implemented during fiscal year 2020. Management is evaluating the Statement's future impact on the basic financial statements.

Statement No. 87, *Leases*, which is required to be implemented during fiscal year 2021. Management is evaluating the Statement's future impact on the basic financial statements.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is required to be implemented during fiscal year 2019. Management is currently evaluating the Statement's impact on the basic financial statements.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented during fiscal year 2021. Management is currently evaluating the Statement's impact on the basic financial statements.

Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, which is required to be implemented during fiscal year 2020. Management is currently evaluating the Statement's impact on the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

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**TOWN OF NATICK, MASSACHUSETTS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2018**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ -	\$ 105,943,766	\$ 188,264	\$ 106,132,030
Motor Vehicle and Other Excise Taxes	-	5,883,800	-	5,883,800
Hotel/Motel Tax	-	1,500,000	-	1,500,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	34,500	-	34,500
Trash Disposal	-	965,000	-	965,000
Intergovernmental	-	14,546,935	-	14,546,935
Special Assessments	-	4,000	-	4,000
Penalties and Interest on Taxes	-	397,980	-	397,980
Licenses and Permits	-	2,075,735	-	2,075,735
Fines and Forfeitures	-	210,750	-	210,750
Departmental and Other	-	2,139,861	-	2,139,861
Investment Income	-	280,000	-	280,000
Total Revenues	-	133,982,327	188,264	134,170,591
<b>EXPENDITURES</b>				
Current:				
General Government	3,603,999	9,107,077	(361,622)	12,349,454
Public Safety	1,506,226	15,255,089	2,205,901	18,967,216
Education	1,256,584	63,421,349	(100,282)	64,577,651
Public Works	1,905,233	11,908,894	609,913	14,424,040
Health and Human Services	55,446	1,929,007	22,274	2,006,727
Culture and Recreation	235,145	486,071	14,940	736,156
Library	-	2,387,718	11,716	2,399,434
Pension Benefits	-	8,785,376	4,815	8,790,191
Employee Benefits	9,041	15,834,171	(89,097)	15,754,115
Property and Liability Insurance	-	707,680	5,706	713,386
State and County Charges	-	1,348,800	-	1,348,800
Debt Service:			-	
Principal	-	8,288,109	-	8,288,109
Interest	-	3,143,243	-	3,143,243
Total Expenditures	8,571,674	142,602,584	2,324,264	153,498,522
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(8,571,674)	(8,620,257)	(2,136,000)	(19,327,931)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	6,418,592	521,000	6,939,592
Transfers Out	-	(3,330,600)	(3,500,000)	(6,830,600)
Total Other Financing Sources (Uses)	-	3,087,992	(2,979,000)	108,992
<b>NET CHANGE IN FUND BALANCE</b>	(8,571,674)	(5,532,265)	(5,115,000)	(19,218,939)
Fund Balance - Beginning of Year	29,645,388	29,645,388	29,645,388	29,645,388
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 21,073,714</u>	<u>\$ 24,113,123</u>	<u>\$ 24,530,388</u>	<u>\$ 10,426,449</u>

See accompanying independent auditors' report



Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 107,215,683	\$ -	\$ 107,215,683	\$ 1,083,653
5,819,560	-	5,819,560	(64,240)
1,486,764	-	1,486,764	(13,236)
382,405	-	382,405	382,405
41,037	-	41,037	6,537
981,895	-	981,895	16,895
15,036,622	-	15,036,622	489,687
2,976	-	2,976	(1,024)
428,117	-	428,117	30,137
2,801,420	-	2,801,420	725,685
210,716	-	210,716	(34)
2,248,812	-	2,248,812	108,951
655,020	-	655,020	375,020
<u>137,311,027</u>	<u>-</u>	<u>137,311,027</u>	<u>3,140,436</u>
7,050,208	4,242,828	11,293,036	1,056,418
16,639,582	2,152,172	18,791,754	175,462
63,759,151	705,213	64,464,364	113,287
12,168,820	2,077,370	14,246,190	177,850
1,836,417	31,687	1,868,104	138,623
486,611	248,785	735,396	760
2,323,914	-	2,323,914	75,520
8,783,214	-	8,783,214	6,977
15,081,414	84,160	15,165,574	588,541
654,557	-	654,557	58,829
1,467,927	-	1,467,927	(119,127)
7,756,159	-	7,756,159	531,950
2,471,160	-	2,471,160	672,083
<u>140,479,134</u>	<u>9,542,215</u>	<u>150,021,349</u>	<u>3,477,173</u>
<u>(3,168,107)</u>	<u>(9,542,215)</u>	<u>(12,710,322)</u>	<u>6,617,609</u>
6,939,592	-	6,939,592	-
<u>(6,830,600)</u>	<u>-</u>	<u>(6,830,600)</u>	<u>-</u>
<u>108,992</u>	<u>-</u>	<u>108,992</u>	<u>-</u>
(3,059,115)	(9,542,215)	(12,601,330)	6,617,609
<u>29,645,388</u>	<u>-</u>	<u>29,645,388</u>	<u>-</u>
<u>\$ 26,586,273</u>	<u>\$ (9,542,215)</u>	<u>\$ 17,044,058</u>	<u>\$ 6,617,609</u>

See accompanying independent auditors' report

**TOWN OF NATICK, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN FISCAL YEARS**

**SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS  
NATICK CONTRIBUTORY RETIREMENT SYSTEM (1)**

	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
<u>Total Pension Liability</u>				
Service Cost	\$ 5,301,943	\$ 5,429,806	\$ 5,188,204	\$ 4,356,464
Interest	15,769,556	15,447,268	14,755,592	14,119,172
Difference between expected and actual experience	-	(6,720,520)	-	(1,454,889)
Change in Assumptions	-	5,039,423	-	12,691,909
Benefit Payments, including refunds of member contributions	(11,454,990)	(10,959,421)	(10,966,687)	(9,618,947)
Net Change in Total Pension Liability	9,616,509	8,236,556	8,977,109	20,093,709
Total Pension Liability - Beginning	214,250,037	206,013,481	197,036,372	176,942,663
Total Pension Liability - Ending (a)	<u>\$ 223,866,546</u>	<u>\$ 214,250,037</u>	<u>\$ 206,013,481</u>	<u>\$ 197,036,372</u>
<u>Plan Fiduciary Net Position</u>				
Contributions - Employer	\$ 9,216,080	\$ 8,613,159	\$ 8,049,681	\$ 7,453,409
Contributions - Member	3,576,132	3,398,502	3,243,263	3,343,806
Other Additions	108,370	168,464	98,464	186,892
Net Investment Income	18,985,941	10,160,090	129,562	7,758,262
Benefit Payments, including refunds of member contributions and net of transfers (to)/from other systems	(11,454,990)	(10,959,421)	(10,966,687)	(9,695,103)
Administrative Expense	(285,939)	(238,498)	(232,122)	(261,086)
Net Change in Plan Fiduciary Net Position	20,145,594	11,142,296	322,161	8,786,180
Plan Fiduciary Net Position - Beginning	127,721,803	116,579,507	116,257,346	107,471,166
Plan Fiduciary Net Position - Ending (b)	<u>\$ 147,867,397</u>	<u>\$ 127,721,803</u>	<u>\$ 116,579,507</u>	<u>\$ 116,257,346</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 75,999,149</u>	<u>\$ 86,528,234</u>	<u>\$ 89,433,974</u>	<u>\$ 80,779,026</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.05%	59.61%	56.59%	59.00%
Covered Payroll	\$ 37,421,956	\$ 35,896,695	\$ 34,773,489	\$ 33,191,253
Net Pension Liability as a Percentage of Covered Payroll	203.1%	241.0%	257.2%	243.4%

(1) Data is being accumulated annually to present 10 years of the reported information

**TOWN OF NATICK, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN FISCAL YEARS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
NATICK CONTRIBUTORY RETIREMENT SYSTEM**

	2017	2016	2015	2014	2013
Actuarially Determined Contribution	\$ 9,216,080	\$ 8,613,159	\$ 8,049,681	\$ 7,453,409	\$ 6,901,304
Contributions in Relation to the					
Actuarially Determined Contribution	9,216,080	8,613,159	8,049,681	7,453,409	6,901,304
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 37,421,956	\$ 35,896,695	\$ 34,773,489	\$ 33,191,253	\$ 32,180,970
Contributions as a Percentage of Covered Payroll	24.63%	23.99%	23.15%	22.46%	21.45%

(Continued)

	2012	2011	2010	2009	2008
Actuarially Determined Contribution	\$ 6,390,096	\$ 5,916,756	\$ 5,661,968	\$ 5,418,151	\$ 5,334,374
Contributions in Relation to the					
Actuarially Determined Contribution	6,390,096	5,916,756	5,661,968	5,418,151	5,334,374
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 27,627,175	\$ 27,627,175	\$ 27,627,175	\$ 25,775,476	\$ 25,775,476
Contributions as a Percentage of Covered Payroll	23.13%	21.42%	20.49%	21.02%	20.70%

(Concluded)

**SCHEDULE OF INVESTMENT RETURNS  
NATICK CONTRIBUTORY RETIREMENT SYSTEM (1)**

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	15.91%	9.53%	0.76%	8.01%

(1) Data is being accumulated annually to present 10 years of the reported information

**TOWN OF NATICK, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN FISCAL YEARS**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
NATICK CONTRIBUTORY RETIREMENT SYSTEM (1) (2)**

	2018	2017	2016	2015
Town's Proportion of the Net Pension Liability	98.5073%	98.5073%	98.5390%	98.5390%
Town's Proportionate Share of the Net Pension Liability	\$ 74,864,697	\$ 85,236,612	\$ 88,127,308	\$ 79,598,815
Town's Covered Payroll	\$ 36,299,297	\$ 35,218,565	\$ 34,773,489	\$ 32,532,514
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	206.24%	242.02%	253.43%	244.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.05%	59.61%	56.59%	59.00%

(1) Amounts presented were determined as of December 31

(2) Data is being accumulated annually to present 10 years of the reported information

**SCHEDULE OF TOWN CONTRIBUTIONS  
NATICK CONTRIBUTORY RETIREMENT SYSTEM**

	2018	2017	2016	2015	2014
Actuarially Required Contribution	\$ 9,078,510	\$ 8,484,589	\$ 7,932,072	\$ 7,344,512	\$ 6,793,586
Contributions in Relation to the Actuarially Required Contribution	9,078,510	8,484,589	7,932,072	7,344,512	6,793,586
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 36,299,297	\$ 35,218,565	\$ 35,218,565	\$ 31,672,428	\$ 31,672,428
Contributions as a Percentage of Covered Payroll	25.01%	24.09%	22.52%	23.19%	21.45%

(Continued)

	2013	2012	2011	2010	2009
Actuarially Required Contribution	\$ 6,290,358	\$ 5,826,520	\$ 5,575,618	\$ 5,335,519	\$ 5,255,414
Contributions in Relation to the Actuarially Required Contribution	6,290,358	5,826,520	5,575,618	5,335,519	5,255,414
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 26,953,209	\$ 26,953,209	\$ 25,138,776	\$ 25,138,776	\$ 25,138,776
Contributions as a Percentage of Covered Payroll	23.34%	21.62%	22.18%	21.22%	20.91%

(Concluded)

**TOWN OF NATICK, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN FISCAL YEARS**

**SCHEDULE OF SPECIAL FUNDING AMOUNTS OF THE NET PENSION LIABILITY  
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (1) (2)**

	2018	2017	2016	2015
Town's Share of Net Pension Liability	\$ 125,563,486	\$ 119,659,447	\$ 108,153,939	\$ 82,844,322
Commonwealth's Share of the Town's Net Pension Liability	125,563,486	119,659,447	108,153,939	82,844,322
Town's Net Pension Liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Expense and Revenue Recognized for the Commonwealth's Support	\$ 13,105,427	\$ 12,206,048	\$ 8,772,247	\$ 5,755,593
Plan Fiduciary Net Position as a Percentage of Total Net Pension Liability	54.25%	52.73%	55.38%	61.64%

(1) Amounts presented were determined as of June 30 of the prior year

(2) Data is being accumulated annually to present 10 years of the reported information

**TOWN OF NATICK, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2018**

**OTHER POSTEMPLOYMENT BENEFITS SCHEDULES**

**SCHEDULE OF CHANGES IN THE TOWN'S  
TOTAL OPEB LIABILITY AND RELATED RATIOS (1) (2)**

<u>Total OPEB Liability</u>	<u>2018</u>
Service Cost	\$ 7,642,455
Interest	6,768,403
Benefit Payments	<u>(4,923,643)</u>
Net Change in Total OPEB Liability	9,487,215
 Total OPEB Liability - Beginning	 <u>183,880,900</u>
 Total OPEB Liability - Ending	 <u><u>\$ 193,368,115</u></u>
 Covered Payroll	 \$ 74,142,906
 Total OPEB Liability as a Percentage of Covered Payroll	 260.80%

(1) Amounts presented were determined as of June 30 of the prior year

(2) Data is being accumulated annually to present 10 years of the reported information

**TOWN OF NATICK, MASSACHUSETTS**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2018**

**NOTE A BUDGETARY – GAAP RECONCILIATION**

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2018 is presented below:

	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance
Budgetary Basis as Reported on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 137,311,027	\$ 150,021,349	\$ 108,992	\$ 17,044,058
<u>Adjustments and Reclassifications</u>				
To record 60-day receipts	(104,943)	-	-	444,673
To record tax refunds payable	(37,479)	-	-	(709,586)
To record MWPAT debt service subsidy	2,488	2,488	-	-
To record MTRS on-behalf payments	13,105,427	13,105,427	-	-
To record encumbrances and continuing appropriations		(9,542,215)	-	9,542,215
<u>Reclassifications</u>				
To reclassify the stabilization fund to the general fund for GAAP purposes	39,659	-	-	4,570,303
To reclassify the capital stabilization fund to the general fund for GAAP purposes	67,810	-	1,651,434	8,036,086
To reclassify the operating stabilization fund to the general fund for GAAP purposes	21,756	-	500,000	3,070,495
To reclassify the OPEB fund to the general fund for GAAP purposes	119,906	-	1,000,000	3,283,961
To reclassify the FAR stabilization fund to the general fund for GAAP purposes	(11,612)	-	(3,900)	2,524,966
To reclassify the technology stabilization fund to the general fund for GAAP purposes	(3,115)	-	(100,000)	1,969
GAAP Basis as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 150,510,924</u>	<u>\$ 153,587,049</u>	<u>\$ 3,156,526</u>	<u>\$ 47,809,140</u>



**TOWN OF NATICK, MASSACHUSETTS**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2018**

**NOTE B SCHEDULE OF EMPLOYER CONTRIBUTIONS**

The following methods and assumptions were used to determine the most recent actuarially determined contribution rates for the pension plan:

Methods:

Actuarial Cost Method	Entry Age Normal Cost
Asset Valuation Method	Fair Value

Assumptions:

Salary Increases	Based on years of service. Ranges from 7.00% decreasing to 4.50% after 9 years of service for Group 1 employees, from 7.00% decreasing to 4.75% after 9 years of service for Group 2 employees; and from 8.00% decreasing to 5.00% after 9 years of service for Group 4 Employees
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation
Inflation Rate	4.50%
Cost of Living Adjustment	3.0% of first \$12,000 Annually
Mortality	Pre-Retirement - The RP-2000 Employee Mortality Table projected generationally with Scale AA from 2005  Healthy Retiree - The RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale AA from 2005  Disabled Retiree - The RP-2000 Healthy Annuitant Mortality Table set forward 3 years for males projected generationally with Scale AA from 2005
Retirement Rates	General Employees (Group 1 and 2) - 1.0% and 1.5% for males and females, respectively, beginning at age 50 ranging to 100% for both males and females ending at age 70  Police and Fire (Group 4) - 2.0% beginning at age 50 ranging to 100.0% at age 65

