

**TOWN OF STOW
STOW, MASSACHUSETTS**

MANAGEMENT REPORT

FOR THE YEAR ENDED JUNE 30, 2017

DRAFT

**George V. McKenna, CPA
Certified Public Accountant
P.O. Box 537
Harvard, Massachusetts
(978) 897-4632**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards	1
<u>Internal Control</u>	
GASB Statement #75 <i>Accounting and Financial Reporting for Postemployment Benefits Other than Pensions</i>	3

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Board of Selectmen
Town of Stow, Massachusetts

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stow, Massachusetts as of and for the year ended June 30, 2017 which collectively comprise the Town of Stow's basic financial statements and have issued our report thereon, dated . 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.

Compliance

As part of obtaining reasonable assurance about whether the Town of Stow's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Stow's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Stow's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Stow's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Stow's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the

Town of Stow's financial statements that is more than inconsequential will not be prevented or detected by the Town of Stow's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Stow's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We have presented for information purposes only new standards that address financial reporting of employee benefits for local governments.

This report is intended solely for the information and use by the Board of Selectmen, management and any federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

July 5, 2018

**TOWN OF STOW
STOW, MASSACHUSETTS**

MANAGEMENT REPORT

For the Year Ended June 30, 2017

I. GASB Statement #75

Accounting and Financial Reporting for Postemployment Benefits other than Pensions

The above accounting standard effective for fiscal years beginning after June 15, 2017 sets new reporting requirements for government employer Other Postemployment Benefit (OPEB) plans whether funded or not funded and replaces GASB Statement #45.

Some of the highlights of the GASB #75 changes are as follows:

1. The OPEB liability will now be recorded at net value (less plan assets) on the government entity's balance sheet.
2. Unfunded plans must use a discount rate equivalent to a municipal bond rate index of 20 years with an average rating of AA or Aa.
3. OPEB expense will now be based on the net OPEB liability change between the reporting dates with some sources of change recognized immediately and others spread over several years.
4. OPEB expense will no longer be equal to the contributions to an OPEB trust or the OPEB benefits or premiums paid on a "pay as your go basis".
5. There will be enhanced disclosures and additional supplementary information on matters of types of benefits, covered employee's, determination of plan contributions and discount rate sensitivity.